

The complaint

Mrs E has complained that Lloyds Bank General Insurance Limited unfairly asked for an excess payment when she and Miss F made a claim under their home insurance policy.

All reference to the insurer Lloyds in my decision include agents acting on its behalf when handling the claim.

Mrs E is the lead complainant and so I will refer to her in my decision on behalf of Mrs E and Miss F.

What happened

In September 2024 Mrs E made a claim for damage caused by an escape of water to Lloyds under their home insurance policy, which was accepted. Under the terms of the policy, a £500 excess was payable.

Although this was explained to Mrs E by email, Lloyds' contractor subsequently told Mrs E the excess wasn't payable. But two months later they said this was a mistake and told Mrs E the £500 excess was payable.

Mrs L complained to Lloyds. She said it was unfair for it to tell her the excess wasn't payable and to then ask for it. She wanted Lloyds to waive the excess fee in full. Mrs E complained about some poor workmanship and delays.

Lloyds upheld Mrs E's complaint in part. For its poor communication and poor service, it paid £350 compensation. But Lloyds said the excess was correctly due.

Mrs E remained unhappy and asked us to look at her complaint. One of our Investigators didn't recommend the complaint should be upheld. He found the compensation Lloyds had paid was fair for the loss of expectation and poor service.

Mrs E disagrees. In summary she says Lloyds has not treated them fairly. She wants to be put back in the position she would have been had Lloyds not provided incorrect information.

Mrs E explained that they had accepted the word of Lloyds' contractor and had budgeted as such. So the unexpected request for the excess payment of £500 has caused financial stress.

So as Mrs E disagrees, the case has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The background is well known to both parties and so I've focused on the remaining issue at the heart of the complaint. It is accepted that Lloyds incorrectly told Mrs E the excess wasn't due. I've looked at whether Lloyds has done enough to put things right for its error.

When an insurer makes a mistake, it isn't our approach to therefore require the insurer to stand by the error, but to pay a fair compensation award to reflect the loss of expectation. In order to treat a customer fairly – and as it would any other customer in Mrs E's circumstances - LV's excess is correctly due under the terms of the policy. However, LV failed to manage Mrs E's expectations by telling her it wasn't payable. This is a failing by LV and this isn't in dispute.

Had LV not made the error and put Mrs E back in the position she would have otherwise been, the excess would have been requested sooner – and as originally advised when Mrs E made the claim. As things stand, to date Mrs E has not paid the excess, 16 months later.

For the distress and inconvenience caused by LV's poor communication and loss of expectation, I find the award of £350 to be reasonable and in line with awards we give in similar cases. Examples of the awards we give are available on our website.

I understand how strongly Mrs E feels about her complaint. But I don't agree that a resolution to her complaint is for LV to waive the excess. I think it has provided a fair resolution to the complaint. This means the excess is correctly due as LV dealt with a claim. So LV is entitled to ask for its payment.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E and Miss F to accept or reject my decision before 26 February 2026.

Geraldine Newbold
Ombudsman