

The complaint

Mr G has complained about the way U K Insurance Limited (UKI) handled the provision of alternative accommodation after he made a fire claim under his home insurance policy.

What happened

On 27 December 2024 Mr G made a claim to UKI after his home was damaged by a fire. UKI paid for him and his family to stay in a hotel which was initially booked until 17 January 2025.

Mr G instructed a loss assessor to help him with his claim. On 10 January the loss assessor asked UKI to approve a rental property costing £2,000 a month. They also said Mr G would need help funding the deposit. UKI didn't approve the rental property until 14 February and didn't issue the payment for it until 14 March. By that time the property was no longer available.

Mr G says he found another property to rent but this cost £2,500 a month. He and his family were able to move into this on 11 April. UKI continued to pay their hotel costs up to that date. It also paid him a disturbance allowance up to 17 February.

The limit for alternative accommodation (AA) under Mr G's policy is £50,000. On 8 April UKI said it would accept liability for the claim. But it estimated that AA costs would be over £61,000. So it said it would deduct the overspend from the buildings settlement.

Mr G complained to UKI about this. It offered him £100 compensation for the delay in processing the rental payment but said the overspend on AA would still be deducted from the buildings settlement.

After Mr G brought a complaint to this service, UKI offered to reconsider the claim for AA subject to evidence of costs. I issued a provisional decision upholding the complaint. An extract from my provisional findings is set out below:

"Mr G's policy documents show that the maximum amount UKI will pay for AA is £50,000. This could result in a situation where Mr G would have to fund ongoing accommodation costs if the policy limit is reached. However this would be unfair if UKI caused him to incur AA costs which were higher than they needed to be. So I've looked at whether that has happened here.

UKI has explained that during the early stage of the claim certain matters required further investigation and so it didn't want to commit to a long-term rental arrangement. As accommodation costs were rising steeply, it eventually approved the rental costs without prejudice to its right to decline the claim. I don't see why it couldn't have done this sooner in the light of the substantial hotel costs being incurred for Mr G and his family and if it had done, Mr G and his family might have been able to move out of the hotel at the end of January. So I agree with our Investigator that for the purpose of calculating whether the policy limit for AA has been reached, UKI should ignore the hotel costs and disturbance allowance incurred after the end of January 2025 and instead work on the basis of rental

costs of £2,000 a month from that point.

A disturbance allowance is intended to compensate an insured for the extra costs for meals, laundry etc that are typically incurred when staying in a hotel. I note UKI paid £3,885 in respect of this for the period from 26 December to 17 February. Since Mr G and his family had to stay in a hotel until 10 April, I think UKI should also pay the disturbance allowance from 18 January to 10 April 2025.

I'm pleased UKI has offered to reconsider the claim for AA subject to evidence of the costs actually incurred. The question is for how much longer the rent should be paid. UKI accepts that it caused a delay of one month but says it's not to blame for a delay of about three months on the part of Mr G's loss assessor who was arranging the repair works.

UKI didn't actually confirm that it accepted liability for the claim until 8 April 2025. In addition the parties needed to agree the scope of the works and that wasn't done until a joint site visit took place on 17 May. UKI says it expected the loss assessor to provide estimates following that. As it hadn't received them, it made an interim cash settlement of £33,463 on 7 August pending estimates for three more specialist aspects of the work.

It's not possible to say with any certainty how long this claim should have taken to complete. Taking into account the nature of the works, I don't think it was unreasonable of UKI to say that the work could probably have been finished by 11 October 2025. But that ignores the fact that since 8 April Mr G has been under the impression that he didn't have enough money to fund the works in full and I think it is reasonable to assume that has contributed to the delay. I can't imagine that anyone in his position would want to put off having their home restored for longer than necessary. So I think UKI should pay Mr G's accommodation costs on an ongoing basis up to the policy limit (revised as stated above) subject to satisfactory evidence of them until the property is habitable and subject to there being no further delays on Mr G's part.

Having one's home damaged by fire would be distressing. But UKI undoubtedly made things worse for Mr G by the delay in approving rental accommodation and by telling him on 8 April that the buildings settlement wouldn't cover the full cost of the work due to the overspend on AA. That is likely to have caused him a lot of worry and upset since then. I think UKI should pay him £300 compensation for that."

Mr G accepted my provisional decision. He advised that some repairs were still outstanding but he had had to move back into the insured property in mid-August 2025 because he couldn't afford the rent any longer.

I suggested to the parties that UKI should pay rental costs at a rate of £2,500 a month (subject to satisfactory evidence of them) from 11 April up to the time Mr G returned to the insured property in August 2025. Both parties agreed to this but UKI said it would require sight of the tenancy agreement and associated invoices.

UKI also agreed that Mr G was entitled to the additional disturbance allowance and to pay the compensation of £300.

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.

As the parties have agreed to my adjusted redress, I see no reason to change it. However, I note that in my provisional decision I referred to a further disturbance allowance being paid from 18 January 2025. I apologise for this and meant 18 February 2025.

Both parties made further comments. But as these don't relate to the issues raised in this complaint, I'm not considering them in this decision.

My final decision

For the reasons given above I uphold this complaint and require U K Insurance Limited to:

- recalculate the AA costs for the purpose of the policy limit by ignoring the hotel costs and disturbance allowance incurred after the end of January 2025 and instead working on the basis of rental costs of £2,000 a month from that point;
- pay the disturbance allowance from 18 February to 10 April 2025;
- pay rental costs at a rate of £2,500 a month (subject to satisfactory evidence of them) from 11 April less the sum(s) already paid in this regard on an ongoing basis up to the policy limit (revised as stated above) up to the time Mr G returned to the insured property in August 2025; and
- pay him £300 compensation for the trouble and upset it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 December 2025.

Elizabeth Grant
Ombudsman