

The complaint

Miss R's complained – on her own behalf and on behalf of the late Mrs R's estate – that Lloyds Bank General Insurance Limited haven't dealt fairly with the subsidence claim made on their property insurance policy.

What happened

The history of this complaint is lengthy and well known to the parties so I won't set it out in detail here. But, to summarise, in about 2016, the house in which Miss R and the late Mrs R lived suffered damage. The cause was determined to be a longstanding continuous leak from a pipe in the street owned by the water company. This had saturated the ground on which the house stands, which led to it subsiding. Repairs to the property still haven't been completed.

Miss R has complained at various point in this process, both to Lloyds and to our service, about how Lloyds have dealt with the claim. This complaint covers the period from September 2021, when a previous complaint was concluded with an agreement that Lloyds would arrange a further visit to the property to assess what damage was caused by the subsidence, for the claim to be further investigated and for Lloyds to pay Miss R £600.

Miss R's most recent complaint was that Lloyds' surveyor didn't contact her to arrange a further inspection and that they refused to appoint an alternative expert. She also complained about the value of the cash settlement Lloyds offered. And she said she'd never received the £600 compensation agreed as part of the resolution of the previous complaint.

At first, Lloyds offered her £300 compensation for the lack of communication from their surveyor. They later offered a further £750 plus interest of £69.12 and arranged for payment of the previous compensation award. But they didn't increase their settlement offer.

Miss R didn't think this resolved her complaint and brought it to the Financial Ombudsman Service. Our investigator reviewed the information provided by both parties and concluded Lloyds didn't need to do any more to resolve the complaint. She was satisfied the total compensation Lloyds had offered was in line with our approach. And she was satisfied the final visit hadn't identified any further movement and had included all items to be repaired within the scope of works. So she thought their cash settlement offer was fair.

After our investigator had shared her view, Miss R sent us and Lloyds further information which she said showed the property is still moving and that the cash settlement Lloyds had offered was insufficient to complete the repairs. After reviewing Miss R's quotes – which they said included costs for items not covered by the policy – Lloyds offered to have their subsidence specialist meet Miss R and her surveyor at the property to explain this onsite and agree what works did fall within the scope. Our investigator thought this was a reasonable proposal to move the matter forward. But Miss R's surveyor declined to attend. And Lloyds declined Miss R's alternative suggestion that they should fund her appointing a different surveyor to investigate whether the property was still moving.

Following this, Lloyds reviewed their cash settlement offer and, in an attempt to progress the matter, agreed to increase it to include the quote Miss R obtained for resin injections to reinforce the cellar. This cost was quoted at £7,298.44 plus VAT. And Lloyds said that, because their cash offer of £14,664.63 plus VAT had been made in 2023, they'd increase that by 5% to reflect the increase in the costs of materials and labour between then and now. This brought their total value of their offer to £21,963.07 plus VAT – from which the excess would need to be deducted.

Miss R didn't accept this offer as she still said it wasn't enough to make repairs. So the matter passed to me to make a decision. I thought the complaint needed to be resolved in a different way – so I made a provisional decision. That said:

"I've noted from her response to the investigator's first view that Miss R isn't focused on compensation. And she's not commented on what Lloyds have paid. She wants to get her property repaired. So I've focused on the issues about the scope of the work and the amount of the settlement because those are what impact that.

I note Miss R has taken issue with Lloyds' conclusion the damage was caused by subsidence. She believes it was caused by heave. I'm not an expert. But the reports I've seen both from Lloyds' surveyor and Miss R's say there's been subsidence. And I've noted that both subsidence and heave are covered by the same section of the policy and are repaired in the same way. So, even if Miss R were right, I don't think it would have made any difference to how Lloyds dealt with the claim or the excess payable.

In terms of the scope of the repairs to be done, I'm satisfied that Lloyds have scoped the works several times – most recently in August 2023 – and they sent their surveyor back after that to check that still captured the full extent of the covered work. So I think it's reasonable to rely on that as the scope for the repairs that are needed. I'll refer to this document as "the Scope".

I appreciate Miss R thinks the Scope doesn't cover everything needed to fully restore her home. But that's not what the policy provides. It provides cover for loss or damage to property caused by an insured risk – in this case, subsidence. But, where it's determined that damage was caused by something that isn't an insured risk, Lloyds aren't obliged to arrange or pay for repairs. In this case, Lloyds have said the windows aren't covered because they were manufactured using inaccurate measurements and were poorly installed and have moved due to the amount of filler used to make them fit. I'm not persuaded that, as suggested by Miss R's surveyor, they would need replacing even if they'd been correctly installed as the surveyor has offered no reasoning for his statement to that effect.

And, while I understand why Miss R would want to have work done to underpin the property, I've not seen any report which sets out why this is necessary. I'm satisfied that Lloyds have now said they will pay for reinforcement of the cellar, even though the property has been certificated as structurally adequate. I can't reasonably say they should do more than this, as the purpose of the policy is to restore the property to its former state, not to make improvements.

Where I differ from our investigator is in relation to the cash settlement Lloyds have offered Miss R. Miss R wants to be indemnified for making repairs and says the sum Lloyds have offered won't allow her to do this. I've thought very carefully about this.

When a customer makes a claim, an insurer can either arrange for repairs themselves or can provide a cash settlement so the customer can get the repairs done. If they arrange the repairs, the insurer will cover the costs. If a customer wants a cash settlement, we'd expect

an insurer to comply. In those circumstances, we say it's reasonable to limit the cash settlement to what it would have cost the insurer to have the works done themselves.

I understand from the evidence I've seen here that Lloyds' offer to Miss R is calculated on the basis of what it would cost them to repair the covered damage. That would have been fair, if Miss R had requested a cash settlement. But, in this case, it's Lloyds who have chosen to cash settle. We say what should happen in these circumstances is that Lloyds should offer Miss R what it would cost her – not them – to have the work done. I can't see they've done that. I don't think that's fair. And I think it's caused Miss R further distress and inconvenience for which Lloyds should pay additional compensation.”

I provisionally decided that, to put things right – and assuming they didn't want to change their position and have the necessary repairs completed by their own contractors – Lloyds should review the quotes Miss R has sent them against the Scope, calculate how much the contractors have quoted for the elements of the work that fall within the Scope and make Miss R a settlement offer based on those calculation. And I said Lloyds should pay her further compensation to bring the total paid up to £1,500.

Both parties have now had the opportunity to comment on my provisional decision. So the complaint's been referred back to me for further consideration.

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.

Having done that, I'm upholding the complaint for broadly the reasons set out in my provisional decision, which I've included above. I'll explain why in some more detail. That doesn't mean I'll address each point raised in response individually. Rather, I'll focus on the points and evidence I consider material to my decision. So if I don't mention something in particular, it's not because I haven't thought about it. Rather, it doesn't change the outcome of the complaint.

In response to my provisional decision, Lloyds agreed to pay further compensation, to bring the total paid to Miss R to £1,500. And they've agreed to review Miss R's quotes against the Scope and make her a settlement offer based on those parts of the quotes that fall within the Scope.

Miss R raised a number of points in response to my provisional decision. She's unhappy about the period of time covered by the complaint, the scoping and works needed and their costs. And she's raised the issue of alternative accommodation while work is completed.

I dealt most of these issues in my provisional decision. In relation to the scope of this complaint, our investigator only looked at events that had occurred since 2021. I appreciate Miss R's concern that issues pre-date that. But I can only look at what hasn't been raised and investigated in previous complaints. This is the third complaint Miss R has brought to our service about this claim. The previous complaints were dealt with and resolved separately. I can't re-open and address them again.

Similarly, I acknowledge that Miss R doesn't agree with the extent of the Scope and the work Lloyds' experts say is necessary to repair the damage caused by the insured risk. I'm sorry that's the case. But we're an impartial service. That means we have to come to a conclusion that is fair to both parties.

I'm satisfied that Lloyds have had the necessary work assessed. They've considered the reports obtained by Miss R and have explained why they've concluded not all of the work those reports has identified is damage caused by the insured risk. I think that's reasonable. And so I think it's fair for the settlement to be based on the Scope identified in my provisional decision.

Miss R has also said the settlement offered by Lloyds isn't sufficient to carry out the repairs. I addressed that in my provisional decision and Lloyds have agreed to re-cost their settlement based on what it will cost Miss R to get the damage caused by the insured peril repaired. I recognise Miss R's reservations about the settlement amount. But Lloyds only have to fund the works caused by the insured peril – which are those set out in the Scope.

Miss R has now also raised the possibility of alternative accommodation during further investigations and while works are completed. I've thought about this. And I asked Lloyds for their comments. The evidence I've seen doesn't persuade me I should direct Lloyds to do further investigations. So, there's no need to consider alternative accommodation for this purpose.

I'd expect Lloyds to provide alternative accommodation in line with the policy terms. These say it will be provided in instances where a property is uninhabitable. Lloyds say that's not the case here as Miss R has functional kitchen and bathroom facilities and work can be done without those being disrupted.

Generally, we consider a property to be habitable if it has those facilities. I'd expect Lloyds to review the position if that changes. But, for the time being, I'm not persuaded that it's necessary to provide alternative accommodation.

Putting things right

I said in my provisional decision that, to put things right, Lloyds should:

- review the quotes Miss R has sent them against the Scope
- calculate how much the contractors have quoted for the parts of the quote which fall within the Scope
- make Miss R a settlement offer based on those calculations
- pay Miss R £1,500 compensation, inclusive of the £1,119.12 they've previously offered her.

Miss R says she's not received a copy of the Scope. I had understood that she had. But Lloyds should send her a further copy (which may be uncosted) for her records.

While Lloyds have agreed to review and costs against the Scope and the quotes Miss R has provided, they've requested a breakdown of the quote provided to her by a builder I'll call TP. I think that's a reasonable request so they can ensure they're properly costing the work within the Scope. So I'd ask Miss R to get this from TP and pass it to Lloyds for them to scope and re-cost the works.

Miss R has also said that the compensation I awarded in my provisional decision isn't enough for Lloyds' failures to settle the claim without delay – which she also says has contributed to the further deterioration of her property.

I've considered this, but I don't think it's reasonable to increase the compensation award. An award of this amount by our service reflects serious disruption to daily life over a sustained period. I also have to take into account that the delays in settling the claim have not only been caused by Lloyds. Miss R has declined settlement offers because they don't, in her view, cover all the damage. While she's fully entitled to take that position, I can't say Lloyds should pay her additional compensation for the resulting delays or deterioration to her property.

Miss R asked in her comments that I direct a precise timetable for progression of the claim. I don't think it's appropriate for me to do that. My role is to decide how complaints should be settled – not to handle claims. It's clear from what I've said that both parties need to take steps before a settlement can be concluded – including seeking input from third parties who may not adhere to any timetable. So it would also be inappropriate for me to set such a timetable for this reason as well.

My final decision

For the reasons I've explained, I'm upholding Miss R's complaint about Lloyds Bank General Insurance Limited and directing Lloyds to:

- review the quotes Miss R has sent them against the Scope
- calculate how much the contractors have quoted for the parts of the quote which fall within the Scope
- make Miss R and the estate of Mrs R a settlement offer based on those calculations
- pay Miss R £1,500 compensation, inclusive of the £1,119.12 they've previously offered her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R and the estate of Mrs R to accept or reject my decision before 11 December 2025.

Helen Stacey
Ombudsman