

The complaint

Mrs M complains about the way U K Insurance Limited (“UKI”) handled a subsidence claim she made on her home insurance policy.

What happened

Mrs M made a subsidence claim on her home insurance policy with UKI in 2008. The claim was managed over many years and involved several investigations, engineering reports, and proposed repairs. In 2021, UKI’s loss adjusters produced a schedule of works intended to stabilise the property and repairs were expected to begin in early 2022. But these repairs ultimately did not proceed, and UKI moved towards settlement by way of a diminution in market value (“DMV”) payment instead. UKI said that the DMV settlement approach would compensate Mrs M for the difference between the property’s market value before and after the subsidence damage.

UKI obtained three independent valuations during 2023 and after reviewing these they put forward a settlement of £378,000 to conclude the claim. But Mrs M did not agree with the settlement; she said the valuations were inconsistent and relied on unsuitable comparable properties. She also questioned why the agreed repairs from 2022 had been abandoned and said UKI’s communication had been very poor throughout the life of the claim. She raised two complaints, which UKI responded to in July 2023 and November 2024, and ultimately remained unhappy with UKI’s responses – so, she brought her complaint to this Service.

An Investigator looked at what had happened and recommended that the complaint should be upheld in part. First, she explained that she wouldn’t be able to consider anything that had happened prior to UKI’s final response in July 2023; because Mrs M hadn’t brought that complaint to this Service within six months. But in respect of later issues, the Investigator said she felt UKI’s settlement was fair and consistent with their independent valuations and UKI was entitled under the policy terms to choose a DMV settlement rather than complete repairs. However, the Investigator did think that UKI’s communication was confusing at times and recommended that UKI pay £100 compensation in addition to the previously paid £400 for any distress and inconvenience caused.

UKI accepted the Investigator’s recommended outcome, but Mrs M didn’t. She provided a series of detailed replies in which she said:

- UKI’s valuations were unreliable because they’d used unsuitable comparison properties which had also experienced subsidence. She said that this undermined the calculations of her property’s diminished market value.
- The valuations varied in total values and said this showed inconsistency. Mrs M said she intends to have the Royal Institute of Chartered Surveyors (RICS) consider the valuations.
- UKI initially told her they’d used the highest and lowest DMV values when calculating her settlement, but later admitted this was an error, which misled her.
- UKI’s representatives had raised her expectations that the settlement figure could be negotiated but later said this was a mistake.
- The repair works planned for early 2022 were abandoned without explanation and

said she's never been told why that decision was made.

- The overall handling of the claim by UKI was disorganised and dismissive, leaving her living in a damaged home for years.
- She was never clearly told that the DMV approach would mean no other additional costs, such as alternative accommodation and storage, would be paid.

Mrs M asked for an Ombudsman to consider the complaint – so it's 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.

Having done so, I've reached the same overall outcome to the Investigator, and I uphold this complaint in part.

I want to start by acknowledging that I've only provided a summary of what happened here as the details of this claim are well known to Mrs M and UKI. I appreciate Mrs M has made detailed submissions; but I'm not going to address each of these individually. This is not intended as a discourtesy; but instead reflects the informal nature of this Service, however I assure both parties I have read and considered everything submitted carefully.

I've therefore focused on what I consider to be the key issues of the complaint. Mrs M hasn't disputed the decision to settle the claim using a DMV, just the valuation of the DMV itself. As such, I will focus my decision on this aspect of the complaint. I also need to explain what period I will be considering as part of my decision. I appreciate Mrs M raised a previous complaint to UKI that they responded to in July 2023. But I won't be revisiting anything in that previous complaint or looking at anything that happened prior to July 2023. This is because I can only consider the points Mrs M raised to UKI that they considered as part of this complaint and responded to in November 2024.

As part of the DMV settlement process, UKI instructed three independent RICS registered companies to provide valuations. Each company was asked to assess the property's open market value in its undamaged condition and the value in its damage state. The reports produced a range of diminution figures between £240,000 to £295,000.

Following discussions with Mrs M, UKI ultimately went on to offer £360,000 in full and final settlement of the claim. This was because Mrs M had previously been told that UKI's offer was based on the highest open market value and the lowest damaged value, but this wasn't correct. However, UKI did go on to use this method to put forward their offer using the highest open market value (£420,000) and the lowest damaged value (£60,000).

The role of this Service is to consider whether an insurer has acted reasonably in looking to settle the claim using a fair value which is in line with the policy's terms and conditions. Ultimately, Mrs M doesn't agree that the valuation reports are fair. She says some of the values are based on incomparable properties, including one that itself had experienced subsidence, and she believes this makes the results unreliable. Mrs M also says UKI gave her inconsistent explanations about which figures had been used and whether there was room for negotiation.

I've considered all of Mrs M submissions on these points, but I'm ultimately not persuaded it can be demonstrated that the valuations themselves were flawed in a way that makes UKI's settlement unfair. Property valuation is not an exact science, and differences between surveyors on property values are to be expected. In this case, UKI commissioned three

independent experts, none of whom were employed by UKI, and then chose to put forward a figure above the highest DMV received following Mrs M's concerns that, if the figure couldn't be increased, she would need to return to the repair option. And, given she'd previously set out why she wanted to draw a line under the claim process, I think UKI acted fairly by increasing the settlement figure in the way they did.

I've considered Mrs M's concerns around why she feels the valuation reports aren't a fair outline of the value of her property. But I don't think she's provided any contrary supporting evidence to demonstrate why her property would fetch a higher value. On that basis, I'm satisfied UKI acted reasonably in relying on the independent valuations they did and in putting forward a settlement of £360,000, plus a 5% uplift to account for inflation. It follows, therefore, that I don't think UKI has acted unreasonably in the way they've calculated the DMV.

However, although I find the settlement value itself was fair and reasonable, I do agree that UKI's communication and explanations were not always clear, leaving Mrs M to repeatedly chase updates and requests for information. I appreciate Mrs M has raised a number of concerns about the way UKI has handled her claim, however many of these concerns relate to events which occurred prior to the period this decision covers. However, in respect of the period I can consider, which is from July 2023, while I don't intend to list or comment on every issue UKI caused, I have highlighted some examples of issues I have taken into account when considering the complaint.

In late 2023, Mrs M was asked "what figure she was looking for", which Mrs M says led her to believe the valuation process was open to negotiation. But later correspondence from UKI's solicitors confirmed that no such negotiation was permitted and the settlement could only be based on the independent valuation reports. Similarly, an e-mail from UKI's solicitors in September 2024 initially stated that UKI had calculated the DMV figure using the highest and lowest figures that I set out previously. But this was later corrected to say that this had been an error.

I accept UKI did clarify the position promptly, but I think these inconsistent communications created unnecessary confusion for Mrs M at a time when I think she was already anxious for a resolution to the claim which had been ongoing for a very long time. There was also limited clarification around what a DMV settlement would or wouldn't include. And while the documentation now makes it clear that a DMV payment represents the difference in market value only, I don't think this was explained to Mrs M clearly at the time and I do think UKI could have done more to manage her expectations earlier. Taken together, I'm satisfied these communication failings amounted to poor service. While I don't think they affected the outcome of the claim, I'm satisfied that they caused avoidable distress and frustration to Mrs M.

What was the impact

I've considered Mrs M's testimony about how she says this claim affected her. I haven't detailed everything here, but I've considered everything she's submitted. Since UKI's final response in July 2023, I can see continuing correspondence while valuations were reviewed and revised offers were considered. The claim has undoubtedly taken longer than it should, and Mrs M has been left in a damaged property for many years. However, much of the current delays appear to stem from the complexity of reaching agreement between two adjoining property owners with linked subsidence claims. As well as from Mrs M's own dissatisfaction with the independent valuations. So, I can't fairly attribute the entirety of those delays to UKI alone.

UKI has already put forward an offer of compensation of £400, and the Investigator recommended that this be increased by a further £100, which UKI has agreed to. Taking everything into account, for the period I can consider, I'm satisfied a total compensation payment of £500 is a fair and reasonable conclusion to this complaint. I appreciate Mrs M may feel the sum isn't enough to compensate her. But I'm overall persuaded it creates a fair and reasonable conclusion to this particular complaint. And I'm satisfied this sum reflects the impact UKI's actions had on Mrs M and is in line with similar awards this Service would make.

Interim payment

I also wanted to address the interim payment that was agreed after the complaint was brought to this Service, and following the Investigator's initial recommendation of the case. I can see that Mrs M initially declined to accept UKI's settlement while her complaint was ongoing. But she later asked whether she could receive the payment on an interim basis. UKI agreed and released the funds once she confirmed this request. I appreciate Mrs M has now said she feels interest should be paid on the payment and explained why she felt the process was confusing and inconsistent.

But I don't think UKI acted unfairly by not paying Mrs M the settlement earlier and I don't think they need to pay interest on it. Until Mrs M confirmed she wanted the funds released, UKI was entitled to wait for a full and final settlement agreement. But once Mrs M asked for the payment on an interim basis, I can see it was made promptly. While a lack of clear communication would have caused frustration, and I do think it may have been beneficial for UKI and their solicitors to provide a clearer outline, I'm not persuaded UKI should have released the settlement earlier than they did.

My final decision

For the reasons I have given, my final decision is that I uphold this complaint in part. I direct U K Insurance Limited to:

- Pay Mrs M a total of £500 compensation, less any sums already raised, for the distress and inconvenience caused by poor communication and inconsistent information during the later stages of her claim.
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Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 December 2025.

Stephen Howard

Ombudsman