

The complaint

Mr B complains about the way U K Insurance Limited, trading as NIG, handled a buildings insurance claim in relation to energy costs.

Reference to NIG includes its agents and representatives.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Following water damage in early 2024, NIG accepted a claim for damage to the buildings. Mr B moved out of his home due to the damage.
- In July 2025, Mr B asked NIG to reimburse him the energy costs for gas and electricity for his home. He said these costs hadn't been incurred for his benefit, but to support and facilitate NIG handling the claim. He also asked NIG to confirm it would continue to pay such costs until his property had been reinstated, and to pay compensation for not telling him he was entitled to recover these costs.
- NIG said it wouldn't pay for the standing charges, as Mr B would have incurred them regardless of the claim. But it would consider the metered charges. It apologised for not discussing this matter earlier, saying energy costs were usually considered at the end of the claim – and that point hadn't been reached at that time.
- Our investigator thought NIG acted fairly. Mr B disagreed, so the complaint has been passed to me.

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.

When considering what's fair and reasonable in the circumstances I've taken into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Whilst I've read and taken into account everything said by both parties, I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. That's a reflection of the informal nature of this Service.

Scope of this decision

In short, in July 2025, Mr B asked NIG to pay for his energy costs and compensation. So I'll limit my consideration to those points. I won't consider any energy costs after that time, or any other matters related to the claim, in this decision.

Energy costs

I agree with our investigator that NIG acted fairly. I'll summarise the main points to explain my reasoning:

- The Insurance Conduct of Business Sourcebook ("ICOBS") applies to NIG when handling a claim. ICOBS 8.1.1 (1) says an insurer must handle claims promptly and fairly. And ICOBS 8.1.1 (3) says an insurer must not unreasonably decline a claim.
- The policy covers alternative accommodation ("AA") costs reasonably and necessarily incurred, whilst the property is uninhabitable due to damage insured by the policy. There's no dispute the property was made uninhabitable by damage insured by the policy. So, in principle, AA cover was available to Mr B.
- The policy doesn't cover any other costs associated with AA, such as energy costs at the AA property. And nor does it cover any similar costs incurred at the damaged property, such as energy costs there. But, in practice, if there are any *additional* costs incurred for these reasons, it's usual good industry practice for the insurer to pay for this kind of reasonable and necessary *additional* cost.
- For example, if a policyholder would usually pay £100 per month for energy at home and now has to pay that *in addition* to £75 in AA, the insurer would generally reimburse the extra £75. That means the policyholder hasn't lost out financially in relation to their energy costs as a result of being AA. But nor have they gained financially. Were it not for the claim or the AA, they would still have paid £100 per month – so that amount isn't a financial loss brought about by the claim or AA.
- Similarly, if a policyholder would usually pay £100 per month for energy at home and that increases to £125 because of the additional energy use during the claim, the insurer would generally reimburse the extra £25 – for the same reasons.
- In this case, Mr B hasn't evidenced or suggested that he's paying energy costs elsewhere – only at his home. So the question is simply whether he's paying more for his energy costs at home than he would usually do, as a result of the claim.
- Clearly the standing charges aren't additional costs – Mr B would have had to pay them regardless of the claim or AA. So these costs aren't covered by the policy and I wouldn't expect NIG to reimburse these costs in line with good practice either.
- Whilst Mr B says NIG has a duty to pay these costs under the principle of indemnity, I disagree. The principle of indemnity only applies insofar as costs are insured by the policy. NIG has accepted the water damage is insured by the policy, so I would usually expect it to indemnify Mr B in relation to that damage. But it has no duty to indemnify him in relation to uninsured costs, even if they arise as a result of the insured damage.
- The metered charges *might* be additional costs. NIG hadn't explored that at the time of its final response. But it agreed to do so, which I'm satisfied is fair and reasonable in principle. If Mr B disagrees with the position NIG reaches in relation to the extent of metered charges it pays, he's entitled to raise a complaint about it.
- I recognise this means Mr B will pay for at least some energy costs at his home whilst he's not there. But I don't think that treats him unfairly, because any additional costs brought about by the claim will be reimbursed. That will mean he's no better or worse off in relation to energy costs than he would have been without the claim. So I'm satisfied this will put him in a fair and reasonable financial position in relation to

energy costs. Therefore I won't require NIG to do anything further than it offered to in relation to the energy costs.

- NIG has accepted it didn't discuss this matter with Mr B until his complaint, and it's apologised for this. It would have been preferable if it had proactively explained from the outset how it would approach this matter, so Mr B was aware of it. Not doing so may have caused a degree of distress and inconvenience, but I'm satisfied it didn't have a material impact. The position has been explained, and Mr B hasn't been financially disadvantaged. In the circumstances, I don't see a need for NIG to pay compensation.
- I'm satisfied NIG has acted in line with ICOBS, other relevant rules and regulation, the policy, and fairly and reasonably overall, in relation to the scope of this decision.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 February 2026.

James Neville
Ombudsman