

The complaint

Mr B complains about the way U K Insurance Limited, trading as NIG, handled a buildings insurance claim in relation to council tax 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.
- Prior to the claim, Mr B received a 25% single-occupancy discount. Up until March 2025, I understand the council applied a further discount to Mr B's council tax bill due to the repair work. After that, the council charged the full base rate and a 100% surcharge because his home was unoccupied. He asked NIG to reimburse his council tax bill in full, from March 2025 until his property had been reinstated. And to pay compensation for not telling him he was entitled to recover these costs.
- NIG initially said it would cover anything charged above and beyond Mr B's standard council tax bill. As the surcharge doubled the bill, NIG said it would pay 50% of the bill, or £176.50 per month, from April 2025.
- NIG later said it would also cover Mr B's loss of a 25% single-occupancy discount and the surcharge, both from March 2025.
- 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 March 2025, Mr B asked NIG to pay his council tax and compensation. So I'll limit my consideration to those points. I won't consider any council tax after that time, or any other matters related to the claim, in this decision.

Council tax 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 council tax costs at the AA property. And nor does it cover any similar costs incurred at the damaged property, such as council tax 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 council tax 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 council tax 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 council tax at home and that increases to £125 because of a surcharge resulting from the claim, the insurer would generally reimburse the extra £25 – for the same reasons.
- In this case, Mr B has shown he had a 25% discount before the claim, so he paid 75% of the council tax base rate. For the first year, I understand he received a further discount, so he paid no more than 75% and there was no extra council tax cost during this time for NIG to consider.
- In March 2025, the council set the bill to 100% – removing the discounts – and added a 100% surcharge. So Mr B paid 200%, rather than the usual 75%. NIG agreed to pay the additional 125%. That meant Mr B effectively only paid 75% – which put him in the position he would have been in, were it not for the removal of discounts and the additional surcharge brought about by the claim.
- Whilst Mr B says NIG has a duty to pay all of the council tax 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.
- I recognise this means Mr B will pay some council tax 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 council tax 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 council tax costs. And therefore I won't require NIG to do anything further than it offered to in relation to the council tax costs.

- Mr B has highlighted two previous decisions by Ombudsmen on other cases to support his position that he shouldn't pay any council tax. This Service doesn't set precedent, and each case is considered on its own merits, so the other cases don't determine what I consider to be fair and reasonable in this one.
- Nonetheless, it may help to briefly explain why different outcomes were reached. In short, those complainants were able to show they'd paid more council tax than they otherwise would have done as a result of the way the claims were handled. Mr B has also been able to show this, which is why NIG agreed to pay him the additional 125% cost. Mr B's 75% council tax payment isn't an additional cost. So the outcomes and approaches in the previous cases are consistent with this case.
- It would have been preferable if NIG had proactively explained from the outset how it would approach this matter, so Mr B was aware of it. And more promptly dealt with it fairly when he raised the matter. 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