

## The complaint

Mr Y and Mrs Y have complained about the cash settlement offered by esure Insurance Limited (esure) to settle a claim under their home insurance policy.

References to esure include companies acting on its behalf.

## What happened

Mr Y and Mrs Y made a claim for an escape of water. esure assessed the claim and said it would cash settle it because it couldn't carry out the work. Mr Y and Mrs Y provided quotes for the work. esure then offered them a cash settlement which, after some discussion, they accepted.

Mr Y and Mrs Y later complained. They said they hadn't been told they would need to provide VAT receipts to receive the VAT element of the cash settlement they had been offered. They said they were therefore unable to carry out all the required works because the cash settlement wasn't enough to do so. When esure replied, it said the internal processes had been followed correctly. Cash settlements did not include VAT. Once a VAT invoice was provided showing VAT had been paid it could issue the additional payment. This was standard practice and it wouldn't make VAT payments without the VAT information. However, it noted that Mr Y and Mrs Y said they hadn't been told this when discussing it with the company dealing with the claim for esure. It said they should have been informed of this. It offered £100 compensation for the lack of clarity.

When Mr Y and Mrs Y complained to this Service, our Investigator didn't uphold the complaint. She said that when a business charges VAT, it isn't something payable for the works, it was an additional cost payable to HMRC. So, this Service generally thinks it's fair for an insurer not to include this in a cash settlement without evidence it had been paid. esure had also confirmed it would pay this element if Mr Y and Mrs Y provide the relevant invoices. She said the £100 compensation esure offered, because it said this should have been clarified, was reasonable in the circumstances.

As Mr Y and Mrs Y didn't agree, the complaint was referred to me.

I issued my provisional decision on 28 November 2025. In my provisional decision, I explained the reasons why I was planning to uphold the complaint. I said:

*Mr Y and Mrs Y have said that when esure's surveyor provided them with the cash settlement figure, he didn't explain the VAT element would only be paid when Mr Y and Mrs Y provided VAT receipts. They don't think the cash settlement they have been paid is enough to carry out the repairs to the property. They have been unable to carry out some of the repairs, have had to do some of the work themselves and use personal contacts for some of it. So, they want esure to pay the VAT element of the cash settlement, without them having to provide VAT receipts. This would enable them to cover more of the repair costs, although not all of it.*

*Mr Y and Mrs Y's home insurance is a policy of indemnity. This means it should aim to put them back in the position they were in just before the incident that led to the claim. In this instance, the escape of water.*

*I've looked at the policy wording to see what this said about how esure would settle a claim. It said:*

*"If Your Buildings suffer loss or damage as a result of any of the other circumstances listed in Your policy booklet [other than a fire], We can choose to:*

- pay the cost of work carried out to rebuild, replace or repair Your Buildings; or*
- arrange for Your Buildings to be rebuilt, replaced or repaired; or*
- pay the difference between the market value of the Buildings immediately before the loss or damage happened and the market value immediately after the loss or damage happened. If repair or replacement cannot be economically carried out, any payment We make will not exceed the Rebuilding Cost.*

*...*

*Where it is possible to rebuild, replace or repair Your Buildings but You do not agree with these settlement options, We will pay You cash based on the rebuild, replacement or repair cost to Us."*

*So, this means that esure can choose how to settle the claim, which includes the options of it paying a cash settlement or arranging to carry out the repairs. For Mr Y and Mrs Y's claim, esure has confirmed to this Service that it only offered a cash settlement. This was because, at that time, esure's instructions to the company dealing with the claim on its behalf were that it should only offer to carry out the work if the policyholder had a vulnerability or was elderly. It said neither of these applied to Mr Y and Mrs Y and they also didn't make esure aware of any "special considerations".*

*Where an insurer chooses to carry out the repairs itself, but the policyholder says they want a cash settlement, we would generally think it was fair for the insurer to pay the cash settlement for the amount it would have cost the insurer to do the work. In those circumstances, it's also common for the cash settlement to be less than the cost a policyholder would pay their own contractor to do the work. This is because insurer's can often secure cheaper rates due to the established relationships they have with contractors. But, where an insurer only offers a cash settlement and doesn't offer to do the work itself, the amount offered should reflect the cost to the policyholder of getting the repairs done. If the offer only reflects the cost to the insurer, and that is lower than the cost to the policyholder, this won't indemnify the policyholder because the policyholder can't get the repairs done for the amount they've received.*

*Given Mr Y and Mrs Y have said they have had to do some of the work themselves, use their contacts and that they haven't been able to carry out some of the repairs, this suggests to me that the cash settlement might not have indemnified them. They should be able to pay tradespeople to carry out all the repairs for the cash settlement. I should note that this only applies to the work required to repair the damage covered by the claim. It's my understanding that Mr Y and Mrs Y might also have been intending to carry out other work in addition to this. However, those costs would normally need to be paid by the policyholder outside of the cash settlement amount. But, I haven't looked at whether esure's assessment of what elements should be considered as part of the claim and which costs should fall to Mr Y and Mrs Y was reasonable.*

*So, I looked at the quotes provided by Mr Y and Mrs Y to esure for the repairs. I also looked at esure's breakdown of the cash settlement amount to see how this compared. From what I could see, esure's calculated costs for the work, including the "regional uplift" it seemed to*

*apply to some of those costs, were lower than Mr Y and Mrs Y's quotes. I asked esure about this. It confirmed that various parts of the cash settlement were based on the cost to itself using its own rates. So, I currently think the cash settlement offered might not have been enough to indemnify Mr Y and Mrs Y. This is because it seems to have been calculated on the wrong basis.*

*As a result, I currently intend to require esure to recalculate the cash settlement for the repairs based on the quotes provided by Mr Y and Mrs Y. I'm aware that some of Mr Y and Mrs Y's quotes aren't as detailed as esure would wish. But, in my view, esure had the opportunity to address this issue while it was calculating the cash settlement. I don't think it's fair for it now to ask Mr Y and Mrs Y to get new quotes or to provide a revised version of the quotes to include more of a breakdown. It needs to use the existing quotes to calculate the cash settlement. However, this doesn't prevent Mr Y and Mrs Y from providing new quotes if they wish to do so, but it is for them to decide if they want to do this.*

*Unless it accepts each of their quotes in full, esure needs to provide Mr Y and Mrs Y with a suitably detailed explanation of why that is the case. For example, if it doesn't agree to pay for an item at all or is proposing to pay for that item at a different rate to the one given in their quotes it needs to explain why this is the case. It needs to provide this explanation item by item, so Mr Y and Mrs Y are fully aware of the basis of the cash settlement. If it thinks a quote doesn't provide a detailed enough breakdown to show it should all be covered as part of the claim, it needs to show how it has calculated the parts it thinks it should pay, how it has calculated any deductions it has made and explain why it thinks this indemnifies Mr Y and Mrs Y. However, esure doesn't need to provide any commercially sensitive information.*

*esure needs to ensure its calculations include all the materials and labour costs for each room or area covered by the claim. It also needs to ensure it has correctly calculated the 50% contribution it offered for the undamaged parts of the kitchen. This needs to be based on Mr Y and Mrs Y's quote, not the cost to esure. If recalculating the cash settlement results in an increase to the amount offered, esure should pay interest on any additional settlement payment it makes because Mr Y and Mrs Y have lost use of that money. However, esure doesn't have to pay the VAT element unless Mr Y and Mrs Y provide evidence of paying VAT. esure accepts it misadvised Mr Y and Mrs Y about the VAT element and gave the impression it would be paid to them at the same time as the rest of the cash settlement. However, I wouldn't normally expect an insurer to pay the VAT element without evidence to show a policyholder has paid it.*

*I should also note that I asked esure some more detailed questions about how some of the figures were calculated. This included issues such as the decorating quote. Mr Y and Mrs Y provided esure with a quote for this after the initial cash settlement figure had been calculated. I've seen an internal discussion from that time asking why the cash settlement offer hadn't increased following receipt of the quote. The response internally confirmed that the quote was for less than the amount already included in the cash settlement. But, based on what I looked at, this quote was for more than the decorating costs I could find in the cash settlement calculation. I haven't looked at this any further because esure needs to recalculate the cash settlement anyway. But I highlight this to illustrate the need for esure to check each quote and its calculations carefully to ensure it is correctly and fairly calculating the cash settlement.*

*I'm also aware that Mr Y and Mrs Y don't think the cash settlement they were offered covered all the damage. For example, they have said esure have said the bathroom wasn't damaged despite advice from a professional flooring person that said otherwise. I'm aware that during the claim Mr Y and Mrs Y also queried the amount offered for the electrical work because it didn't seem to include all the elements of their quote. If Mr Y and Mrs Y remain dissatisfied with the cash settlement following esure recalculating it, including because they*

*don't think it covers all the damage to their home, they would need to raise a new complaint with esure so it can consider this further.*

*I've also thought about compensation. I think Mr Y and Mrs Y have received poor service from esure because of how it dealt with the claim. esure doesn't dispute that it provided misleading information about how any VAT element of the cash settlement would be paid. From what I can see, it has also calculated the cash settlement on the wrong basis. Mr Y and Mrs Y have also said they were unable to carry out all the repairs and have had to do some of the work themselves. As a result, I currently intend to say that esure should pay Mr Y and Mrs Y £500 compensation to reflect the impact on them of how it dealt with the claim. This includes the £100 esure previously offered when it responded to the complaint.*

I asked both parties to send me any more information or evidence they wanted me to look at by 12 December 2025. esure didn't reply. Mr Y and Mrs Y replied and confirmed they had nothing further to add.

### **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 uphold this complaint and for the reasons given in my provisional decision. I had reviewed this complaint again and haven't found any reasons to change my view about what I think is a fair and reasonable outcome to this complaint.

## **My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld. I require esure Insurance Limited to:

- Recalculate the cash settlement based on Mr Y and Mrs Y's quotes.
- It must either accept each of the quotes in full or provide a suitably detailed explanation to Mr Y and Mrs Y for why it hasn't done so. This is so that they can understand why an item has not been included, has been included at a different rate or how any deductions have been calculated.
- If it pays an additional amount to Mr Y and Mrs Y as part of the cash settlement, it must pay 8% simple interest on that amount. It should calculate the interest from the date on which it previously paid the first cash settlement to Mr Y and Mrs Y to the date on which it now makes any additional payments.
- Pay a total of £500 compensation, which includes the £100 compensation it previously offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Y and Mr Y to accept or reject my decision before 12 January 2026.

Louise O'Sullivan  
**Ombudsman**