

The complaint

Mr and Mrs V are unhappy with how Lloyds Bank General Insurance Limited trading as Halifax dealt with their home insurance claim after a house fire.

The complaint involves the actions of agents acting on Lloyds' behalf. Any reference to Lloyds includes its agents.

What happened

In May 2024, Mr and Mrs V's home was damaged by fire and deemed uninhabitable. Mr and Mrs V contacted Lloyds to make a home insurance claim.

Lloyds arranged alternative accommodation for Mr and Mrs V and their two children in two hotel rooms. The hotel had no cooking facilities. Mr and Mrs V said this was unsuitable because they both worked from home and one of their children was preparing for exams.

Mr and Mrs V repeatedly asked Lloyds to move them to a rented property. Lloyds continued to extend the hotel booking for several weeks and said a rental property wasn't cost effective. Lloyds eventually agreed in early July that the family could move to a rental property for the remainder of the claim.

Lloyds had also told Mr and Mrs V that it would reimburse food and household expenses while they were unable to cook at home. Lloyds reimbursed these costs for the first few weeks but began to question Mr and Mrs V about their spending. A new claims handler was then appointed who imposed a cap of £15 per person per day for living costs, which left the family with a shortfall.

There was also a dispute over which policy limit applied to Mr and Mrs V's garage contents. Lloyds' original claims handler said the full contents limit applied. A later handler applied a £5,000 outbuilding limit which wasn't enough to cover the losses. Mr and Mrs V paid for a surveyor's report which concluded that the garage was integrated with the property and so should not be considered an outbuilding. Lloyds didn't change its position at that time.

Mr and Mrs V complained about their unsuitable accommodation, the change in approach to living costs, the handling of their receipts, the garage contents limit, inconsistent information, delays, and poor communication. They also paid a solicitor to reinforce their complaint.

Lloyds accepted there had been delays, claims-handling issues and communication failures. It agreed to pay the living cost shortfall, apply the higher contents limit to the garage items, and apologised. It offered £300 compensation plus £4 interest for a previous payment delay.

Mr and Mrs V didn't accept this and referred the complaint to our Service. They said Lloyds had caused them significant emotional and financial strain and thought Lloyds should reimburse their surveyor and solicitor costs.

Lloyds reviewed the complaint again and made a further offer. It accepted the family should have been placed into rental accommodation earlier so increased its offer of compensation

to £800 in total. It also agreed to pay 8% interest on the living cost shortfall and to pay parking costs incurred when the family ate out, subject to evidence, plus 8% interest.

Our Investigator looked into the complaint and concluded that Lloyds needed to do more to recognise the impact on Mr and Mrs V. She recommended Lloyds pay a further £200, bringing the total compensation to £1,000.

Lloyds accepted this recommendation. Mr and Mrs V didn't agree. They said £1,000 didn't reflect the impact on their family or cover their professional costs which exceeded this.

As the parties didn't agree, the complaint was passed to me to make a final decision.

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 decided to uphold the complaint to the same extent as our investigator, for broadly the same reasons. I've explained why below, focusing on the points and evidence I consider material to my decision.

I first want to recognise how difficult this experience must have been for Mr and Mrs V and their children. A house fire is a serious and distressing event. I appreciate the uncertainty and disruption that followed will have been very challenging for them and their family.

That said, my role is to decide whether Lloyds treated them fairly and reasonably in handling the claim and, as it didn't here, whether Lloyds has done enough to put things right.

Claims handling

The parties are broadly in agreement that Lloyds handled the claim badly. Lloyds has accepted this and made further concessions during our investigation. I've therefore focused on whether Lloyds' overall response adequately and fairly reflects the impact of its failings.

Having reviewed the evidence, I'm satisfied Lloyds handled the claim poorly and missed opportunities to treat Mr and Mrs V fairly. In particular, I agree Lloyds should have arranged more suitable alternative accommodation a lot earlier. I also agree Mr and Mrs V are entitled to feel that Lloyds went back on its word regarding living costs and the garage contents limit.

I've carefully considered the impact of Lloyds' handling on Mr and Mrs V and their family. While some disruption was inevitable following the house fire, I'm satisfied Lloyds' poor handling significantly added to this. The family had to live for an extended period in two hotel rooms without cooking facilities. This was especially difficult given both adults worked from home and one child was preparing for important exams. Uncertainty about accommodation and the ongoing claim added to this further, together with the delays Lloyds has accepted. I'm also satisfied that inconsistent information about living costs and the imposition of a daily cap caused a lot of avoidable worry. Mr and Mrs V have explained how their cash flow was affected, how they struggled to cover daily living costs, and felt under pressure to justify routine spending with detailed receipts.

The evidence also shows the situation had a wider emotional impact on the family. Mr and Mrs V have described significant distress to themselves and their children, including the effect of prolonged displacement, lack of personal space, and the feeling of being confined in unsuitable accommodation. I'm satisfied this went beyond the normal inconvenience of an insurance claim.

In all, I find Lloyds' handling of the claim caused serious disruption to the family's daily life over a sustained period, with accompanying emotional and financial anxiety.

Our published guidance says compensation awards of between £750 and £1,500 may be appropriate where a business's mistakes cause substantial distress and disruption over many months or a substantial short-term impact.

I'm satisfied this complaint falls within that range. So, taking all the circumstances into account, I find total compensation of £1,000 to be fair and reasonable to recognise the impact suffered by Mr and Mrs V. So, that is what I require Lloyds to pay.

I also consider Lloyds' offer to pay interest on its living cost payment, and to deal with relevant parking costs, with interest, to be fair and reasonable – so, Lloyds must now do that.

Professional costs

Mr and Mrs V have asked Lloyds to cover their solicitor and surveyor costs, saying these were necessarily incurred because of Lloyds' poor handling.

I've considered this carefully, but I don't require Lloyds to pay these costs.

I know that will be disappointing considering the compensation I'm awarding for distress and inconvenience is not enough to cover the professional costs Mr and Mrs V say they've incurred. I should explain that compensation for distress and inconvenience is separate from compensation for financial losses. My power to award those costs is limited and governed by the regulator's rule, DISP 3.7.10, which explains that complainants shouldn't usually need professional advisers to bring complaints to the Financial Ombudsman Service.

I appreciate that refers to costs involved in bringing a complaint to our Service but equally a policyholder shouldn't ordinarily need professional advisers to make a claim to their insurer. If professional fees are, in the Ombudsman's view, necessary for the policyholder to incur in bringing a complaint or making a claim then I can, in upholding a complaint, require an insurer to pay those costs where fair and reasonable to do so. But this is very rare.

I accept the issues were serious. Mr and Mrs V were understandably concerned about financial losses, in particular their garage contents. However, I'm not persuaded professional assistance was necessary to pursue the complaint. The solicitor's correspondence repeated points Mr and Mrs V had already raised themselves. And in relation to the surveyor's report, I haven't seen evidence that this caused Lloyds to change its position. Lloyds' internal records show it revised its approach on the garage limit because of a recent decision by our Service on a similar complaint, rather than the surveyor's report.

While I'm sorry to disappoint Mr and Mrs V, in these circumstances I don't think it would be fair or reasonable to require Lloyds to reimburse their professional costs.

Putting things right

To resolve this complaint, I require Lloyds to:

- Pay Mr and Mrs V £1,000 compensation in total, to be reduced by any amount already paid.
- Deal with Mr and Mrs V's parking costs, subject to reasonable evidence from Mr and Mrs V. Add 8% simple interest* per year to this amount from the date of payment to the date of settlement.

- Pay 8% simple interest* per year on Mr and Mrs V's living cost shortfall, as Lloyds has offered to do, from the date of payment to the date of settlement.

*If Lloyds considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs V how much it's taken off. It should also give Mr and Mrs V a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've given, I uphold Mr and Mrs V's complaint and direct Lloyds Bank General Insurance Limited trading as Halifax to do as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 2 February 2026.

Chris Woolaway
Ombudsman