

The complaint

Mr E and Mrs E complain that Watford Insurance Company Europe Limited have offered a settlement which doesn't cover the cost of the replacement kitchen and have provided poor service.

What happened

Mr E and Mrs E held buildings and contents insurance with Watford.

In August 2024 a bathroom tap was left running which caused water damage to the ensuite bathroom and kitchen below and he contacted Watford to make a claim.

Loss adjusters were appointed and the property was dried and an agreement was made to cash settle the claim as Mr E and Mrs E wanted to use their own contractors.

Several payments were made, but when the cash settlement for the kitchen was to be made a dispute arose.

Mr E took out a loan to purchase the kitchen while he was waiting for settlement, but the sum Watford then offered was less than he had paid for the kitchen. He complained but Watford didn't uphold his complaint, so he brought it to us.

One of our investigators looked into Mr E and Mrs E's complaint and he thought that the kitchen costs should be recalculated with interest and he also awarded £150 for the distress and inconvenience.

Watford agreed with the investigators view and issued a further payment for the kitchen. However, Mr E and Mrs E said this still wasn't the right amount, and so they hadn't complied with what they had agreed to, and so they brought it back to us.

The investigator tried to resolve this with Watford, but they were unable to evidence that they had calculated the sum in accordance with the agreed outcome and so the complaint was passed to me to make a final decision.

I issued a provisional decision on the complaint. My provisional findings were as follows:

I have to decide whether Watford have acted fairly and reasonably and properly applied the terms of the policy when settling the claim.

Having considered all the evidence, I'm proposing to upholding this complaint and I'll explain why.

Mr E and Mrs E have two complaint points. They say that a deduction of £2000 has been made from the settlement, and that the full cost of the kitchen hasn't been met.

The £2,000 deduction

An interim payment of £12,960.91 was made in November 2024. The breakdown provided to me by Watford shows that this payment consisted of £8,052.79 as the balance for kitchen units, £575 for Amtico flooring, £317,12 for electricity usage, £2,016 for a kitchen pod and a £2,000 deposit for labour costs.

In the March 2025 report a further payment of £9,927.29 was requested to cover £26.51 for a cooker control knob, £59.99 for a plinth heater, £238 for a new sink, £199 for wall tiles, £90 for an upstand, £32.50 for paint and £12,284 for building repairs carried out by the contractors – a subtotal of £12,930.40.

When Watford made payment, they deducted the £2,000 deposit that had previously been paid for labour costs and a 50% contribution towards undamaged kitchen units calculated at £1,003.11. The net payment made was therefore £9,927.29 which was then paid.

As far as I can see, the £2000 deposit was fairly deducted from the second payment, as it had been paid in advance as part of the first payment, and formed part of the labour costs paid to the builders of £9927.29, and so I can't see that Watford have acted unfairly here.

The contribution to the undamaged units.

Mr E and Mrs E have provided us with a quote and proof of payment for the replacement kitchen which totals £15475. They made payment in two instalments - £5416 on 22 October 2024 and £10059 on 20 November 2024.

Our normal approach with kitchens is that if replacement of the damaged units which are the insured works leave the consumer with a mismatched kitchen, the insurer should contribute 50% toward the cost of any undamaged matching units.

So, we would expect Watford to decide which units were part of the insured works, and which are not, and then settle accordingly.

However, this isn't what happened.

Watford assessed the kitchen units and provided a breakdown of which units were damaged as part of the insured works, and which were not. They have said that

- There were six undamaged units.
- There were 18 damaged units.
- There were damaged plinths.
- There were two damaged end panels.

They further said that there was an agreement that the total damaged units were 81% of the total cost, and so they would pay 81% of the replacement cost in full and 50% of the remaining 19% for the undamaged items. It's not clear how the 81% was calculated and Mr E and Mrs E say it was actually 83% and our investigator calculates it as 78%.

I haven't seen any explanation of why the cost has been calculated as a percentage rather than by reference to each of the replacement units required, but given that the pictures of the proposed new kitchen and the old one seem similar, there is no breakdown of individual cupboard costs on the quote, and it is likely that the undamaged wall cupboards would have a lower replacement cost than the base units and a larder unit, I'm satisfied that 81% probably does represent a fair estimate of the proportion of insured loss.

This would mean that 81% of the total kitchen replacement sum of £15475 should be paid in full, and a further 50% of the remainder. I calculate this to be £12534.75 plus £1470.13, totalling a payment of £14004.88 for the replacement kitchen.

Turning then to what payments have been made, Watford have provided us with a breakdown of each of the interim payments made. These show that they initially made payment of £500 for the kitchen deposit, followed by a payment of £8052 itemised on their spreadsheet as the "balance".

They subsequently made a deduction of £1003.11 from a later interim payment which they attributed to "Less Insured's 50% contribution towards undamaged kitchen units". So, at this point, it appears that the total paid for the kitchen units had been reduced to £7548.89.

Following the acceptance of our investigator's view, Watford paid back the £1003.11 and added 8% interest of £481.50.

So, this means that the total payments made for the kitchen units to date has been £8552, against what I calculate to be due of £14004.88. This means that a further £5452.88 is due to cover the cost of the kitchen units.

As this payment has been outstanding for a while, interest will also be due at 8% from the date the "balance" payment was made for the kitchen until the date this is settled. As Watford have already paid £481.50 interest this will need to be deducted from the interest payment.

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.

Mr E and Mrs E have accepted my provisional decision.

Watford responded requesting a copy of the invoice for the kitchen which they said their loss adjuster had not previously seen. We provided this to them, although noting that their loss adjuster had previously seen a copy in September. They have made no further comment following receipt of the estimate and invoices, and so I am now making my final decision to uphold this complaint for the reasons stated in my provisional decision.

Putting things right

In order to put things right, Watford should pay:

- £5452.88 for the balance of payment for the kitchen units
- 8% interest on that sum from the date Watford made the last kitchen payment to Mr E and Mrs E until the date of settlement, minus £481.50 already paid.
- £150 compensation for the distress and inconvenience caused by the failure to correctly calculate the payments.

My final decision

My decision is to uphold Mr E and Mrs E's complaint about Watford Insurance Company Europe Ltd and direct them to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Mrs E to accept or reject my decision before 9 March 2026.

Joanne Ward
Ombudsman