

The complaint

Mrs S complains that Lloyds Bank General Insurance Limited haven't covered all the costs of repairs following an escape of water and have provided poor service.

What happened

Mrs S held buildings and contents insurance with Lloyds.

In March 2024 Mrs S discovered she had a leak from her washing machine pipe which had leaked to the ensuite shower room underneath. The property is built into a hillside, and the basement floor in which the shower room is located has a retaining wall.

She informed Lloyds, who sent the contractors to dry it out and assess the damage.

The contractors said they were unable to complete the repairs as the basement wasn't sufficiently tanked, and before they could complete a lasting and effective repair, the room would need to be tanked, which was Mrs S's responsibility. So, Lloyds offered a cash settlement of £3000 for the repairs.

Mrs S said that the repairs will cost £11860, so this isn't enough to restore her property back to pre-loss condition. She made a complaint.

Lloyds partially upheld the complaint, agreeing that the service provided wasn't what they would expect and so they awarded £700 compensation, but they didn't increase the settlement, and so Mrs S brought her complaint to us.

One of our investigators looked into Mrs S's complaint but he thought Lloyds offer was fair. Mrs S disagreed with our investigators view, and so the case came to me to review.

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

I have to decide whether Lloyds have acted fairly and reasonably and properly applied the terms of the policy when dealing with the claim.

Mrs S's policy covers her for damage result in from leaking water, which is defined as:

"Leaking water and leaking oil

The leak must be from a home appliance, or fixed water or heating system. Examples of a home appliance or fixed water or heating system are tanks, pipes, washing machines or water mains."

As the leak is from a washing machine pipe, I'm satisfied that there is an insured peril that is covered by the policy.

So, I've then thought about whether Lloyds have acted fairly in offering a cash settlement rather than repairs, and whether the offer made is fair and reasonable.

Offering a cash settlement rather than repairs

I can see that Lloyds appointed contractors who visited the property and initiated drying out procedures in the en-suite and the utility room upstairs. Following that they scoped out the repairs.

However, it became apparent that the shower cubicle area wasn't drying out sufficiently. Lloyds contractors had noted that the shower cubicle is against the retaining wall of the basement and isn't tanked, and so after visiting again they recommended salts testing to see whether the water ingress was being caused by clean or ground water.

The salts testing was undertaken in October 2024 and identified chloride and nitrates in the water which indicates that the damp is being caused by ground water rather than a leak. They said that this indicated that drying out couldn't be completed and that restoration couldn't be guaranteed unless tanking was put in place first. They offered a cash settlement. Having considered all of this, I'm satisfied that at that point, Lloyds had fairly declined to undertake the repairs themselves. The policy covers repairs to damage caused by the leaking water, but it doesn't cover the cost of installing tanking that wasn't there before the leak, making improvements, or replacing items not damaged.

Mrs S then engaged her own contractor to put a "slurry coat" on the shower area at a cost of £3000 to tank it so that repairs could proceed. Unfortunately, Lloyds contractors were still not satisfied that this was sufficient and said that proper tanking is required. As a result, they still declined to undertake the repairs themselves and offered a cash settlement.

I can understand why Mrs S was upset that she had undertaken work but the repairs were still being declined, but it was still the view of the contractors that this would not provide a long term solution, and I've seen no evidence to the contrary. So, at the time the final decision letter was issued, Lloyds position regarding carrying out the repairs themselves was fair. However, the letter did say "As previously discussed, for us to consider carrying out the insured works, we would firstly require you to install a full tanking system to your property" I understand that since then, in December 2025 Mrs S says she has had a full tanking system put in the shower area at additional cost, and in accordance with instructions from Lloyds about what was required.

I've seen a receipt for works but it doesn't say whether it covers the whole en-suite, or just the shower room, and it's not for me to say whether this is sufficient for Lloyds to now proceed with any rectification work. This would be a decision for their contractors. But given the wording of the FRL, and the efforts that Mrs S has made, I would expect Lloyds to now reconsider whether they are now able to complete the work as originally scoped.

They are still entitled, however, to offer a cash settlement if they choose, as the terms of the policy allow for settlement by cash at their discretion.

The settlement offer

In terms of the settlement itself, there is a dispute over the offer that Lloyds have made. Mrs S has provided a quote for £11,860, which includes a whole new bathroom suite for the ensuite, replastering, retiling, replacement floor and floor tiles in the kitchen and utility and replacement of insulation and lights.

This offer is significantly more than Lloyds have offered and Lloyds have said that it includes items that are not insured works, and have confirmed that the only reinstatement works that are due to the escape of water are:

“En Suite

Mist coat and emulsion to ceiling, wall tiling to the areas that have been removed, shower tray and screen, which we agree has been damaged during removal.

Utility Room

Remove and replace kitchen unit — excluding door and handle, remove and replace chipboard flooring (only the water damaged area), set aside and refit skirting board and worktop.”

A full detailed scope has been prepared on this basis and the contractors have quoted a figure of £2739.55 for this work based on their rates. Lloyds offer was made at this rate, and then later increased slightly to £3000. Mrs S has also said that she has a trace and access bill for £320 which she wishes to claim for.

Having compared the scope of work prepared by Lloyds contractor with the quote provided by Mrs S, I can see that there are items on Mrs S’s quote which are additional and appear to be private works. Whilst Lloyds have agreed that there is a need to replace the shower tray and screen, I have seen no evidence of damage to the other items of sanitary ware in the ensuite, and so I can’t see a need for the supply and fitting of these to be included. Similarly, I haven’t seen any evidence to support that new flooring was needed to the extent suggested in Mrs S’s quote. So, I’m satisfied that the scope prepared by Lloyds more accurately reflects the work that is needed.

However, I’m not satisfied that Mrs S would be able to get this work completed for the £3000 that has been offered. While it is acceptable for an insurer to offer a cash settlement based on the cost to them of completing the work when the customer chooses this option, in a situation where the insurer is declining to do the work themselves, the cash settlement should reflect the customer’s actual costs. This is because a customer isn’t able to access the discounted and preferential rates for contractors that an insurer may be able to.

And so, if a cash settlement is still Lloyds preferred option, Mrs S should obtain three quotes for the work outlined in the scope of work provided by Lloyds, and Lloyds should cash settle for the lowest of these three quotes. Lloyds will need to supply Mrs S with an uncosted copy of the scope of works for her to provide to her contractors for quotes so that they are like for like quotes.

Poor service

Lloyds have already paid £700 for the service issues. I've considered whether this is fair and reflects our approach to compensation taking into account any failings by Lloyds, and the impact on Mrs S. While I appreciate that her family have been impacted by the outstanding works at the property, our rules only allow us to look at the impact on any eligible complainants, which in this case is only Mrs S.

Lloyds offer of £700 falls into our third band of compensation, which is for cases where an insurer's poor service causes considerable distress, upset and worry – and or significant inconvenience and disruption and needs a lot of extra effort to sort out.

I'm satisfied that this award fairly reflects the impact on Mrs S. While I appreciate that she is still without a downstairs shower and this is inconvenient, this is something which is as a result of the lack of tanking causing the delay in repairs rather than any error by Lloyds.

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.

Mrs S has accepted my provisional findings. Lloyds have said that they don't agree that this decision should be a change in outcome as they haven't refused to complete the reinstatement work, but rather that they were just not in a position to proceed without tanking being installed. They are now willing to do the work subject to the tanking being satisfactory.

They have also said that there is no need for three quotes to be obtained, as if they are unable to complete the works, they would have engaged with the customer to agree the most appropriate way forward but would not be applying their contractor rates.

It is encouraging to hear that Lloyds are willing to work with Mrs S now that she has had some tanking work done, and this would seem to be Mrs S's preferred option. However, I also think that given it's now two years since the loss, it's important to have a clear path for resolving matters, and despite Lloyds comments, they have clearly refused to proceed with repairs and offered a cash settlement of £3000 based on their contractor rates. The final response letter confirms this is the offer made, and so I don't agree that this shouldn't be recorded as a change in outcome, and I am making my final decision in line with my provisional decision for the reasons previously given.

Putting things right

In order put things right Lloyds should:

- Consider whether the tanking is now sufficient for them to proceed with the insured works, and if it is, consider completing the works in accordance with the scope.
- If they choose not to proceed, they should cash settle the claim for the actual cost of the lowest of the three quotes obtained by Mrs S for the insured works. The quotes obtained by Mrs S should be based on the scope of work provided by Lloyds and should not include any additional private works.

My final decision

My decision is I'm upholding Mrs S's complaint about Lloyds Bank General Insurance Limited and direct them to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or

reject my decision before 20 April 2026.

Joanne Ward
Ombudsman