

The complaint

Mrs R, representing her mother, Mrs R1, has complained about U K Insurance Limited, which provides the insurance for Mrs R1's former home.

What happened

Background

Mrs R1's home was damaged by an escape of water. Mrs R made a claim to UKI on her behalf. Once the property was stripped back and dried, a settlement offer was put forward by UKI – it would pay its cost to reinstate – £59,000, or it would do the work. Mrs R questioned the extent of the repair scope and UKI said Mrs R might want to think about a diminution in value (DMV) settlement. Mrs R said she absolutely had no intention of reinstating the property, the intention was to sell it in its damaged state, so DMV would be of interest.

After a couple of weeks, whilst UKI was still considering the possibility of a change in settlement to DMV, Mrs R appointed a loss assessor. The loss assessor and UKI's loss adjuster agreed to move forward with repairing the property, via the loss assessor's preferred contractor, and arrangements were made to review and revise the repair scope.

Following a visit to the property to reassess what was needed for reinstatement, and some further discussions about what should be allowed for, UKI produced a revised (second) repair scope and offer of settlement.

Mrs R then complained to UKI and the Financial Ombudsman Service – she was unhappy with how long the claim was taking and felt the scope (and offer) was still lacking. UKI didn't issue a final response letter – rather it continued to review what was needed for reinstatement. With a further revised (third) offer being put forward in August 2025, almost a year after the first. Mrs R wasn't happy at that point to accept a repair settlement – she felt UKI should move to issuing a DMV settlement.

The complaint was considered by one of our Investigators. Mrs R wasn't happy with the outcome suggested. Her complaint was referred to me for an Ombudsman's decision.

I reviewed it and explained to both parties that I would be taking the third offer into account as part of this complaint. After all, UKI had not issued a final response letter, and the third offer went directly to the heart of the complaint made to this Service – that the first and second offers were not adequate.

I also told both parties that I felt UKI must now make some payments for claim costs incurred. Namely £1,079 for electric costs and £1,715.32 for council tax. I trust they've been paid but, if not, I will likely add a direction for payment into my final decision once made.

I asked both parties for further detail about the necessary repairs and settlement. Mrs R provided an expert opinion on DMV and clarified that this, as opposed to a repair settlement, is what is now required in settlement from UKI. She said it had known all along the house

was to be sold and yet it had delayed matters. It wasn't now fair, Mrs R said, for Mrs R1 to have to wait further for reinstatement before being able to sell the house.

The expert evidence was passed to UKI for it to review. It said one opinion isn't enough – and it wouldn't look to offer a DMV settlement at this stage because the house is repairable (with the policy allowing it the choice in these matters).

I further reviewed the complaint and issued a provisional decision to explain to the parties, in the circumstances of this complaint, what I felt was needed to resolve matters.

My provisional findings

I think it's worth noting at the outset of my findings that this is quite a complex and sensitive situation. My background above is necessarily light on the detail behind the circumstances that surround this claim – but I'd like to reassure both parties that I understand and am aware of those details and I have taken everything into account when considering this complaint and reaching my findings. Further, whilst not specifically referenced in my findings, I've taken all relevant laws and regulations into account too.

I've given a lot of thought to Mrs R's request for UKI to be made to pay a DMV settlement. I'm sympathetic to Mrs R1's situation and I know selling the house, at this point, is important. I also acknowledge that repairing the house to maximise its value will necessarily delay that sale. But I'm not persuaded that means a fair and reasonable outcome here is for me to make UKI settle the claim based on DMV.

In saying that, I'm most mindful that, although the prospect of a DMV settlement was first raised in September 2024 – instigated by UKI – it was an option Mrs R (via her loss assessor) then chose to move away from. Prior to the DMV issue being explored at that time, Mrs R appointed a professional loss assessor – and the claim progressed with a view to reinstating the property. And it was in respect of the settlements put forward for reinstating the property which triggered the complaint to UKI and this Service.

Now I'll acknowledge, at this point, that I don't think UKI acted fairly regarding those offers. But, that being the case, the reasonable remedy is for a fair offer to be determined and, if appropriate, compensation awarded for any distress and inconvenience. Moving to settlement based on DMV in this situation, in this particular case, would equate in my view to a disproportionate, and therefore unreasonable, remedy.

Turning to UKI's settlement offers, I think UKI let its policyholder down when presenting these. I'm not going to go into too much detail here. Rather I think a couple of simple examples highlight that better care should have been taken when compiling scopes, which were then used to determine the repair costs.

The first settlement offer lacked like for like flooring in the bathroom. The second scope didn't include revisions which had been agreed and were meant to have been made, such as boxing-in in the porch. With another example, the fitted bathroom cabinet, seemingly having been queried by Mrs R immediately following the first scope/settlement offer and agreed on review by the loss adjuster. The third offer (for which no scope was created) still did not account for several things highlighted by Mrs R, such as the damaged bath panel.

I accept that an initial scope might be subject to some changing – tweaking if you will – before settlement can be agreed. But a first scope should not include obvious mistakes such as with the like-for-like flooring. I'm also mindful that even though some things were still not accounted for by the third offer – totalling £85,000 – that offer marked an uplift of roughly half of the initially proposed settlement value. UKI should have done a better job of scoping these

repairs in the first instance. And it certainly should have done a better job when the scope was revised.

So I've thought about what can fairly be done to rectify this situation – where UKI is happy to settle based on likely repair costs, but it hasn't shown what they are, and Mrs R is not intending to complete those repairs. I've also taken into account the need for this claim to be concluded so that both parties can move on. With that in mind, I don't think a remedy which directs further review or assessment of costs would be reasonable.

As such I've decided (currently) to say UKI should pay Mrs R £90,000 to settle this claim. This marks a slight uplift on its last/third settlement offer. The uplift is applied to recognise that items were not accounted for in that third settlement offer but does not seek to be an exact estimate of cost for unaccounted for items. I think this creates a fair remedy when taking into account all of the circumstances here.

UKI sent a cheque when it made its third settlement offer. But Mrs R did not cash it. She could have done. I recognise that if UKI had made a better first settlement offer, Mrs R1 would have had access to that money in late 2024 – but she would then have used that to complete the work. So UKI's delay in paying anything, in my view, until it sent the cheque in late 2025, hasn't really deprived Mrs R1 of having that money 'in her pocket' since late 2024. As such I don't find it appropriate to make UKI pay interest on top of the £90,000 claim settlement I think it should now pay.

I've given consideration to the course of the claim. Clearly the unfair settlements added a substantial time element on to the claim. I think, had UKI done a better job when creating the first scope it would have been much closer to £90,000. Also that after only a short period of discussion – if handled well by UKI – a fair settlement, in that region, could have been made. Almost certainly all of the activity in 2025, including the complaint to this Service, would have been avoided. So I've thought about the likely impact of this significant delay on Mrs R1.

Mrs R1 will, I think, be aware of this matter. So I accept that she will be experiencing a level of worry about the on-going claim. But I also bear in mind that whilst this property is a financial asset for Mrs R1, she does not live in it – so the delay has not impacted her daily life as it would an owner/occupier of a damaged property. I bear in mind that even if a repair settlement had been agreed in late 2024, any reinstatement would have required a lead time before repairs would start. The reinstatement was expected to take 20 weeks – but with the level of work required I could foresee that might reasonably have extended to 24 weeks.

So I think it would likely have been the start of the summer in 2025 before repairs were completed and the house put on the market. And the period required for a likely sale isn't known. However, I think this shows that through most, if not all of 2025, even if UKI had handled this effectively, Mrs R1 would still have been experiencing inconvenience caused by not having access to the financial benefit the sale of her property would provide. If I accept the house would have sold by the end of 2025, that would leave a few months this year during which Mrs R1 has suffered inconvenience which would have been avoided if UKI had handled things in a reasonable manner.

Having considered all of this, I think UKI should pay Mrs R1 £750 compensation for distress and inconvenience caused. This takes into account the relevant timelines set out in the details above and balances the fact Mrs R1 was not dealing with this claim herself, so to an extent she was shielded from the frustration and inconvenience Mrs R likely suffered during her dealings with UKI. Where, as our Investigator has explained, the impact on Mrs R can't be, and so hasn't been, taken into account here.

Responses to my provisional decision

UKI said it didn't "100% agree" with my rationale for requiring it to make an increased claim settlement. But it said, in an effort to resolve matters, it wouldn't dispute this award. UKI though was not prepared to agree to my award of compensation. It explained why it felt it shouldn't have to pay this sum.

Mrs R said she could not accept the provisional decision as issued. She said it was materially flawed in both its factual findings and reasoning. Mrs R said:

- More details need to be included about the sad circumstances of both the claim and Mrs R1's personal position and health.
- Whilst assurances are given that laws have been taken into account, nothing is evidenced within the reasoning to show how this was done.
- The decision materially dilutes Mrs R1's role despite her position as UKI's policyholder.
- The decision materially narrows the complaint made; omitting the contents element entirely.
- The chronology of events was compressed and distorted – there were delays in the run up to the first, September 2024 settlement offer and DMV was never abandoned.
- The claim position around the time of that offer was never fixed – the chronology kept evolving with further failures and delays occurring.
- Events post the third, 12 August 2025 offer are critical and can't reasonably be separated.
- The settlement cheque UKI sent in October 2025 couldn't possibly have been cashed for fear that UKI would view that as Mrs R1's acceptance.
- The decision does not engage with UKI initially offering a DMV settlement which was not based on a market value assessment.
- The Ombudsman's description of her valuation evidence as an "expert opinion" materially diminishes its nature and procedural significance.
- UKI's failure to produce reasonable scopes for repair went beyond any need for "tweaking".
- The few examples of missing work set out in the decision materially understates the scale of the problem – 80 additions and 37 modifications to the original scope were required.
- This was never about what the policy allowed – it was about what was fair.
- Vulnerable customers (as is Mrs R1) should not receive a materially worse outcome because of their vulnerability.
- The decision does not explain how UKI's settlement offer met the standards of good faith, avoiding foreseeable harm or that it created a good outcome for Mrs R1.
- UKI was meant to give information needed at the right time and support Mrs R1, it didn't.
- Whilst the decision finds UKI's previous reinstatement based offers unfair, the proposed remedy is still a further reinstatement based settlement.
- The decision was different to the Ombudsman's original thoughts on the complaint, and didn't explain why, or how an evidence deficit from UKI was overcome.
- The decision relies heavily on what "UKI said", rather than tested evidence.
- There are a series of unsupported assumptions.
- If UKI had managed the early stages of the claim better, the property could have been reinstated within 2024.
- It's wrong to say that as Mrs R1 did not live in the property she was not affected, not living in the property did not change or reduce UKI's obligations to her.
- Mrs R1's need for support did not reduce the impact on her and there's no evidence referenced in the decision which shows she was shielded.
- Mrs R1 experienced uncertainty, loss of benefit, concern about prolonged non-resolution and detriment from an inability to realise the value of the property.
- The decision does not explain why UKI issuing a cheque in 2025 sufficiently displaces

interest for delay.

- There was an obvious legal and procedural risk to Mrs R1 in banking the cheque.
- The proposed remedy is opaque and ambiguous.
- The Ombudsman's original thoughts said VAT and interest were required, with this decision not awarding either.
- The £750 compensation seems built on two unsupported premises.
- The remedy is not transparently explained.
- What is represented by the figure of £90,000 needs to be explained.
- No direction is given for UKI to later reimburse VAT or to review, such as if further work/costs are found.

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 R's response to my provisional decision was detailed and comprehensive. I've considered what she has said and what UKI has said, along with the attachments provided. I've set out a fair amount of detail above summarising the responses. Below I've offered my final thoughts on the complaint taking into account everything which has been said and provided. If I don't comment directly on a point noted above it is not that I have disregarded that point. Rather addressing it is not central, in my view, to my findings.

I appreciate that Mrs R feels more details should be included. But it is part of my role to present and issue a decision which protects the anonymity of the complaining parties. And the kind of detail Mrs R thinks should be included, in my view, would put that at risk here. Details like that, as much as names, are vectors by which people can be identified. I'll state here that the circumstances behind the claim are tragic and Mrs R1 is necessarily and legally represented by Mrs R. Third-party readers of this decision, once published, do not need to know more than that and my choice in this respect regarding what to say and what not to include does not detract from the rest of my findings.

My role is to issue decisions to resolve complaints with as little formality as possible. It is also part of my role to take account of all relevant laws when making and issuing my decision. That is not an empty assurance. But for the purpose of providing a decision which is fair and reasonable to both parties, I do not have to evidence all of my thoughts. I only need to set out the ones which I am satisfied are key to my core findings.

Mrs R1's role as UKI's policyholder is absolutely key here. And UKI failed her. Mrs R should have no doubt that – having taken all of the circumstances, evidence, rules and laws into account – that is what I have found. UKI did not treat Mrs R1 fairly, regardless of the fact she was represented. UKI failed to create fair scopes for reinstatement which created an unacceptable lack of clarity. As I said provisionally, the first scope did not just require "tweaking" as one might reasonably expect a first scope would. Mrs R clarified "80 additions and 37 modifications" were required. UKI did not, even in its third offer, present her with a good outcome. That was poor work by UKI. But I've seen nothing which makes me think that occurred because of Mrs R1's vulnerabilities. Quite simply, Mrs R1 deserved better. Because of that I have upheld Mrs R1's complaint against UKI. It then falls to me to decide, in the difficult current circumstances, what is needed to put matters right.

There is no simple remedy here. Mrs R, since I issued my original thoughts to both parties, confirmed the property will not be reinstated. A property which is not being reinstated might refocus a claim resolution to one of DMV – but such a remedy, which here would override what the policy allows for – would have to be proportionate. If Mrs R's expert evidence is to

be taken at face value, the DMV settlement would be more than twice the currently set value for repairs. That would not be a proportionate remedy. But there are definitely issues with the currently set values for repairs. UKI has not evidenced the first and second scope was priced fairly, and the third offer was not scoped at all. So it is possible, although not clear, that repairs, if done, would cost more. What is clear is that a resolution is needed now, without further delay, allowing both parties to move on.

My views on the appropriate resolution for this complaint have changed from my original thoughts set out informally to both parties before I issued my provisional decision. Quite simply those thoughts were based on what detail I had available to me at that time. Both parties provided further detail following their consideration of my thoughts and, as Mrs R has pointed out, not all of the detail I asked UKI for was provided. So I naturally had to review matters. And it is part of my role, when asked for evidence is not received, to make my decision based on what is available. And when I do that, in my decision, I set out the key reasons for having reached that view. The 'situation', as it were, has moved on and I don't have to explain why I am no longer looking for evidence previously asked for – what matters is the answer I have reached, given what I do know and what, given the evidence which is available, I think is most likely.

On that note, Mrs R has referred to me making some 'assumptions'. I can see why she may think that. But what I have done is looked at what I think would most likely have happened had UKI handled this claim reasonably. That type of conclusion is normal and natural for me to make in my role as Ombudsman. I accept that if UKI had handled the drying more efficiently in early 2024, two of three months may have been saved. But given the 'expected' timeline I set out provisionally, I don't think those few months would have materially changed anything. And I bear in mind the leak at the centre of this claim was significant, and ongoing for around a week before it was stopped. So I don't think it's likely that a more compressed drying timeline would have materially shortened the likely necessary reinstatement period.

I appreciate that delays continued in the latter part of 2024 and into 2025. I know that for Mrs R the events post August 2025 were seamless from those before. But this Service, for practicality purposes if nothing else, has to have a point where our assessments stop. That would usually be the issuance of a final response by an insurer. In regards to the first and second buildings settlement offers UKI did not issue a final response, which allowed me to reasonably take its third, August 2025 offer into account for assessment. Along with its provision of the cheque for that proffered sum in October 2025. That was all part and parcel of what Mrs R had complained about to this Service on Mrs R1's behalf.

When Mrs R brought that complaint to this Service, she did not complain about the contents settlement. As our Investigator noted in her view, at that time the contents settlement was still under review by UKI, so it was not something we could look at in this complaint. As I said when I issued my original thoughts to both parties, I agreed with our Investigator's view in this respect. My view on that has not changed.

Returning for a moment to the cheque UKI sent in October 2025, I know Mrs R says she couldn't possibly have cashed it. But I notice that when she wrote to UKI around this time she specifically said she was reserving Mrs R1's rights. That could easily and simply have been extended to the cashing of the cheque. And I note that when UKI sent that cheque it did not place any stipulations on it – such as it being in full and final settlement.

Because UKI was not insisting the payment was full and final, and because Mrs R took the decision to not cash the cheque, I can't reasonably require UKI to pay interest on the basis of non-provision of funds. And I've explained why, provisionally, the delay in payment between 2024 and 2025 means that interest does not reasonably attach. If a policyholder were completing repairs, and a delay in payment meant the cost of work had likely

increased, then I might find it fair to award interest. But Mrs R has stated categorically that repairs will not be done. Which is also why I did not make any award, in my provisional decision for payment of VAT (only incurred when work is done) or add in any allowance for review by UKI if further costs were found once work started. They would only be relevant remedies where reinstatement was to be completed.

The sum I am awarding of £90,000 is not an exact reflection of what I think is needed to get work done. In awarding it I recognise Mrs R has said work will not be done. But in the circumstances here I think it is fair to make UKI pay what I think it would always have likely offered to settle the claim in 2024 if it had scoped the repairs fairly. In reaching that figure I have taken into account that following the representation of a professional loss assessor UKI's first scope was significantly and substantially amended. Also that whilst Mrs R still had concerns about the content of that second scope, the issues she identified as still missing appear to me to be things that wouldn't cost much to resolve. But I can't know any of the cost for certain because whilst UKI hasn't evidenced its sums, Mrs R hasn't presented costed scopes for the work either. So I've worked with what I have. Having done so, I'm satisfied that the answer I have come to is fair and reasonable in the all of the complicated circumstances at play in this complaint and at the heart of the claim.

I'm also satisfied with the compensation I have awarded. My award and explanation in that respect was not designed to reduce Mrs R1's role or to seek to diminish what she has experienced. But I have to recognise that she was not handling this claim, Mrs R was. So Mrs R1 was naturally 'shielded' from the upset that Mrs R experienced, because only Mrs R experienced that. The fact Mrs R1 was not living in the property does have bearing on my decision on compensation. It's important to my assessment of what compensation is fairly and reasonably needed that UKI's failures did not impact her in this way. And I set out provisionally the impact I accept she was caused.

On that note UKI has sought to object to my compensation award. I've considered what it has said in that respect but I don't find it persuasive. Nothing it has said has changed my view about how I think it failed Mrs R1 and how that impacted her.

On a final note, in the background of my provisional decision, and now this final decision, I said I trusted UKI had paid the costs I had said it should for electricity and council tax. I'm disappointed to see that it is most likely that it hasn't – certainly neither party has confirmed payment was made/received. Therefore, and as set out, provisionally and above, I am adding a direction for payment into my final decision award set out below. In this case non-payment by UKI does reasonably attract interest because Mrs R1 has been without these funds which UKI should have reimbursed earlier.

Putting things right

I require UKI to pay Mrs R1:

- £1,079 for electricity costs.
- £1,715.32 for council tax.
- An amount equivalent to 8% per year simple interest* applied to both sums, against any single cost which makes up the total owed, from the date it was paid until settlement is made.
- £90,000 in settlement of the claim.
- £750 compensation for upset she was caused.

* HM Revenue & Customs may require UKI to take off tax from this interest. If asked, it must give Mrs R1 a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require U K Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R1 to accept or reject my decision before 7 May 2026.

Fiona Robinson
Ombudsman