

## complaint

Mr and Mrs L are unhappy that China Taiping Insurance (UK) Co Ltd won't pay their full home insurance claim for water damage as it said they had underinsured their property.

## background

In September 2018 Mr and Mrs L made a claim to China Taiping after their property was damaged by a water leak. They obtained estimates for repair and after considering them China Taiping advised Mr and Mrs L that it accepted their lower estimate, for £3,900 together with their cost for initial emergency work of £386.40. This added up to a total of £4,286.40.

However China Taiping said that Mr and Mrs L had underinsured their property. They had asked for it to be insured for a rebuild value of £245,000 but the loss adjuster calculated the actual value at £303,868. As the property was only insured for 80% of the value at risk, it proposed to pay 80% of the claim, calculated at £3,070.12, net of the policy excess of £350.

Mr and Mrs L protested that they had bought their policy through a price comparison website. When they were asked to give the rebuild cost of their property they said the website was pre-populated with the £245,000 figure. The loss adjuster replied that Mr and Mrs L had used a basic form of the BCIS (Building Cost Information Service) calculator. The loss adjuster had access to an industry version which gave a more accurate valuation. They also said that a figure for external works, garage, railings, walls, pavings and drains should be added.

Mr and Mrs L pointed out that the price comparison website didn't give any guidance that the external works should be included. They felt entitled to use the figure given to them and weren't asked for any more accurate figure. China Taiping sent them an interim payment of £3,000.

On referral to this service our investigator said that Mr and Mrs L weren't asked a clear question, nor given clear guidance as to how to estimate their rebuild cost. So he said China Taiping should deal with the balance of the claim, and pay Mr and Mrs L £100 compensation.

China Taiping said that the policy holder is advised within the quoting screen that the tool provides an average for that post code area and that the range may be lower or high. They are also provided with the range and could have selected a sum insured higher within the range. Their value at risk calculation is within the range provided to the Insured. In addition, proposers are advised to *"take care to estimate the rebuild cost correctly so that you are adequately covered..... If you made a claim and your rebuild cost was too low, your provider may not settle the claim in full."* The proposers are also advised to refer to previous insurance documents, surveyor's reports or mortgage valuation reports for finding their building value at risk.

Our investigator said it was unreasonable to ask a question that required of the consumer expert knowledge. In order to assess the value they would have been required to have such knowledge. They relied on the value given by the website which was an average value for a property of their type, age, build materials and location.

Mr and Mrs L asked that we review the compensation as the matter has caused them a lot of emotional distress. They believe they should be awarded the maximum award in our “moderate” range (£500). They further believe the £350 excess shouldn’t be deducted.

The matter has been passed to me for further consideration.

### **my findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I would first of all observe that China Taiping is willing to sell its policies through the price comparison website. If a proposer accepts a quotation on the website they will be directed to the insurer’s/broker’s own website. There the insurer is quite entitled to ask more detailed questions. In this case, on being redirected to the broker’s website for China Taiping, Mr and Mrs L weren’t asked any more detailed questions about the property’s rebuild value. The proposal form said “*Full rebuilding costs of the property (please note this is not the market value)*” and the £245,000 figure was put in the box next to it.

So I think it reasonable to expect that Mr and Mrs L in assessing the rebuild value of their property would rely on the price comparison site to assess an average value of their property give its age, type, building material and location. This came out, Mr and Mrs L say at £245,000. However the screen shot I’ve seen while setting out that figure in the box also says the value was estimated at £263,000. The guidance also said the cost could vary between £165,000 and £374,000. Whilst China Taiping has pointed out that its estimate comes within those figures, so does Mr and Mrs L’s estimate.

I’ve noted that the loss adjuster was able to provide an accurate valuation because they measured the floor space of the property and had access to an industry version of the BCIS calculator. They also said “*strictly speaking*” external works should be included. Of its valuation of £303,868, the sum of £36,430 was allowed for the garage, railings, walls, pavings and drains. I’ve looked at the comparison website and I can’t see that anywhere the proposer is asked to add a figure for such external works.

Obviously the loss adjuster is at an advantage being an experienced valuer. But I have to look at what Mr and Mrs L were asked. And at no stage were they told they had to get a professional valuation. If the property had been extra-large with above average fittings and/or had extensive outbuildings Mr and Mrs L might have been expected to give a value of higher than the average. Or if they’d been given more detailed guidance on China Taiping’s proposal form they might have been expected to follow it. But I can’t see that either of those considerations apply. I think if China Taiping wanted more detail of the at risk value it could have asked for it.

Arguably Mr and Mrs L should’ve put a value of £263,000 but as their valuation seems to have been pre-populated on the form and is 92% of their higher valuation I don’t think it would be reasonable to say they were underinsured. They should however consider for future insurance whether they should increase the rebuild cost.

As I don’t think Mr and Mrs L were given clear guidance about assessing the rebuild cost of their property I don’t think it is fair to reduce the claim payment for underinsurance. I’ve considered the award of compensation but I think £100 is reasonable taking into account the circumstances of the case and awards we’ve made in similar cases. The excess is payable

as part of the insurance contract, if I were to tell China Taiping not to deduct it that would be equivalent to awarding more compensation.

China Taiping should therefore pay the balance of Mr and Mrs L's claim calculated as follows:

Cost of repairs including emergency repairs	£4,286.40
Less excess	£ 350
Less already paid	£3,000
Total deduction	<u>£3,350.00</u>
Balance payable	936.40

It should add simple interest at 8% per year from the date of the claim until it pays this. It should further pay £100 compensation.

### **my final decision**

I uphold the complaint and require China Taiping Insurance (UK) Co Ltd to:

- pay Mr and Mrs L £936.40, as calculated above together with simple interest\* at 8% per year from the date of the claim until it pays it.
- pay £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 26 July 2020.

Ray Lawley  
**ombudsman**

\*China Taiping Insurance (UK) Co Ltd is required by HM Revenue and Customs to deduct tax from any interest paid. Should Mr and Mrs L request it, China Taiping Insurance (UK) Co Ltd should provide them with a certificate showing how much tax has been taken off so that, if appropriate, they can reclaim it.