

complaint

Mr and Mrs S are unhappy with the settlement figure offered by Millennium Insurance Company Limited following an escape of water claim.

background

Mr and Mrs S made a claim which was accepted by Millennium. Mr S is a builder by trade and submitted a quote for repair (and a subsequent quote from a local builder). Mr S's quotes were more than Millennium felt was owed.

Millennium also thinks that the property was under-insured, so its offer – which was less than what Mr S had quoted – was adjusted to take account of the underinsurance.

Mr and Mrs S also say that the service provided by Millennium and its agents was poor.

Our adjudicator upheld the complaint in part. He didn't think the service provided meant Mr and Mrs S should be compensated. And he also thought Millennium had assessed the cost of the claim reasonably.

But he didn't think Millennium should reduce the claim because of underinsurance. He asked it to tell him how it established what the value of the property was when it was insured. This wasn't provided so he couldn't be sure that Mr and Mrs S understood what their home needed to be insured for.

He also thought that Millennium had taken the excesses – for the buildings and contents sections – twice. So he asked that £700 (2x £350) be returned to Mr and Mrs S. Millennium didn't respond to his concerns in this area.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

If Millennium is making a cash settlement – to allow Mr and Mrs S to repair the damage themselves – it's reasonable that the settlement is what it would cost Millennium to repair the damage. So even though Mr and Mrs S's quotes are higher, I don't think they have shown that the offer made by Millennium wouldn't allow Millennium's contractors to repair the damage.

But I am concerned that Millennium has reduced its offer because of underinsurance. Millennium had the opportunity to explain how it determined the sum insured when the policy was set up. Because it hasn't responded on this point, I can't be sure that the importance of getting the sum insured right – and how this could be done – was explained to Mr and Mrs S.

I don't think it's fair for Millennium to now say the claim settlement should be reduced.

I understand that Mr S's company will do the repairs. He's VAT registered so on completion of the repairs he should send a VAT invoice to Millennium for the elements of the repair that are VAT chargeable. Of course, Millennium doesn't have to pay VAT beyond what it would have cost itself based on its quoted repair.

It also seems that the two excesses totalling £700 were taken twice. We asked Millennium about this and it didn't respond. So whilst I cannot be certain this happened, because Millennium hasn't responded I have assumed the payment was taken twice. So £700 should be returned to Mr and Mrs S.

I think the service at times could have been better. But I think the majority of delays were due to discussions between Mr and Mrs S, their representatives and Millennium. On balance I don't think it's fair to hold Millennium responsible for the delays to the extent that Mr and Mrs S should be compensated.

my final decision

I uphold this complaint in part against Millennium Insurance Company Limited. It must:

- pay what it would cost it to repair Mr and Mrs S's property, not including a deduction for underinsurance and less what it has already been paid
- return £700 to Mr and Mrs S for the excesses that were taken twice
- add 8% interest per annum simple on all money owed to Mr and Mrs S from the date of loss until the date of payment
- consider a VAT invoice if provided by Mr S's company as discussed above

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs S to accept or reject my decision before 27 November 2015.

Michael McMahon
ombudsman