

## **complaint**

Mr H is unhappy with the amount paid to him by UK Insurance Limited ("UKI") following a claim made under his buildings insurance policy.

## **background**

The circumstances of this complaint were set out in my provisional decision dated 18 December 2014, a copy of which is attached and forms part of this final decision. In that decision I explained why I was minded to uphold this complaint.

Briefly, Mr H made a claim for water damage to his kitchen and this was accepted by UKI. It paid him £3,363.53 to repair the damage, but Mr H was unhappy with this amount as he had received much higher estimates from a number of independent contractors. I concluded that UKI's offer was not reasonable and given that Mr H had since had the repairs carried out, I was minded to require UKI to reimburse Mr H for the costs he incurred in having the repairs carried out.

I invited both parties to respond with any further submissions; however neither party had anything further to add in response to my provisional decision.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. However, given that neither party has made any further submissions, I see no reason to depart from my provisional findings.

## **my final decision**

For the reasons set out above and contained in my provisional decision, my final decision is that I uphold this complaint. I require UK Insurance Limited to pay Mr H the total amount it cost him to have his kitchen repaired, less the amount it has already paid him. Interest should be added to this at the simple rate of 8% (less tax if properly deductible) from the date he paid for the repairs to the date of settlement.

I note that Mr H says he had to borrow money to pay for the repairs, therefore if he is able to evidence this and that he was charged a higher rate of interest than 8% on the borrowing, I require UK Insurance Limited to pay interest at the higher amount.

I also require UK Insurance Limited to refund Mr H the second excess payment of £100.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 23 February 2015.

Chantelle Hurn  
**ombudsman**

## **COPY OF PROVISIONAL DECISION**

### **complaint**

Mr H is unhappy with the amount paid to him by UK Insurance Limited ("UKI") following a claim made under his buildings insurance policy.

### **background**

Mr H's kitchen was damaged after an escape of water. He made a claim under his policy which was accepted by UKI and it arranged for a contractor to visit his property to assess the repairs needed. UKI's contractor estimated a repair cost of £1,791.63 and UKI paid this amount to Mr H, less £100 excess.

Mr H was unhappy with this amount as he thought UKI's contractor's estimate was incorrect. He therefore arranged for three independent contractors to visit his property and was given repair estimates of £7,350, £6,600 and £5,740.88 (all inclusive of VAT).

UKI accepted that some of the repair costs had been missing from its initial contractor's estimate and so it increased its offer by a further £1,671.90, less £100 excess. It also paid Mr H £100 for poor service. This brought the total settlement amount up to £3,363.53.

Mr H did not accept UKI's increased offer and so brought a complaint to this service.

Our adjudicator recommended that the complaint be upheld. She noted the policy terms said UKI would pay for the cost of repairing the damage, and did not give UKI the option of cash settling for the amount it would cost *UKI* to repair the damage. The adjudicator recommended that UKI pay Mr H the lowest of his estimates.

UKI said that the estimates provided by Mr H's contractors were unreasonable. It noted that the lowest estimate was not on headed paper and did not have a VAT registration number – it said it needed this information before it could consider paying it. Mr H therefore asked his contractor to provide this information, however as almost a year had passed since the estimate, the contractor said he would need to do another one and would charge Mr H for doing so.

UKI said that it wanted to speak with Mr H's contractors to find out why their estimates were so much higher than those quoted by its own contractor. However, it was unable to reach the contractors. Meanwhile, Mr H arranged for one of his contractors to carry out the repairs to his kitchen. He did not use the contractor who had provided the lowest estimate, and instead opted to use the contractor who had initially quoted £7,350, however this had increased to £7,750.

UKI said that to move forward, it wanted its contractor to re-visit Mr H's property, preferably with Mr H's contractor present. The adjudicator thought this was reasonable, but Mr H thought UKI was simply delaying paying the claim and so requested that his complaint be referred to an ombudsman.

The matter has therefore been passed to me to consider afresh.

### **my provisional findings**

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

The policy says under 'basis of settling claims':

*"We will pay for the cost of rebuilding or repairing the part of the Buildings which is damaged by any cause insured..."*

It is not in dispute that Mr H has a valid claim under the policy. Therefore the issue for me to determine is whether the amount paid by UKI to repair the damage was reasonable.

The total amount UKI has so far paid to Mr H is £3,363.53. Taking into account the excess, there is still over £2,000 difference between this amount and the lowest estimate obtained by Mr H. However, given that UKI's contractor's initial estimate was too low for the repairs needed (which has been accepted by UKI), and that three different contractors all quoted Mr H a significantly higher sum to carry out the repairs than UKI's contractor, it does not seem unreasonable to conclude that UKI's offer of £3,363.53 was too low for the repairs needed.

This is supported by further estimates that Mr H obtained at the beginning of 2014. The estimates given at this time were £7,750, £7,392, and £6,577. Two of those were apparently from different contractors to those that had given estimates the year before.

Consequently, I find that UKI's offer was not reasonable and I note that it did not offer to repair. I therefore need to consider how much UKI should pay Mr H.

I note that Mr H initially wanted UKI to pay him the lowest amount quoted (£5,740.88) and indeed this was the amount that the adjudicator recommended UKI pay. Since then Mr H has had the work carried out and he chose to employ the contractor who gave the highest estimate – he has explained that he chose to do so as this contractor had carried out work for his family for a number of years and he trusted him.

There is a significant difference between the lowest and highest estimate provided by Mr H's contractors in 2013 and 2014 (around £2,000). However, I have taken into account that three of the initial estimates were quoted at the beginning of 2013 and therefore would likely have increased by the time Mr H had the work carried out. Further, the three estimates obtained at the beginning of 2014 were largely comparable. Therefore, on balance, I am minded to conclude that UKI should pay Mr H the cost he actually incurred in having the repairs carried out.

I note that UKI offered Mr H £100 for its poor customer service which I consider to be reasonable in the circumstances. However, it seems that it charged him an excess payment twice, when this should have only been charged once. Therefore I consider £100 should be refunded to him.

### **my provisional decision**

For the reasons set out above, my provisional decision is to uphold this complaint. I am minded to require UK Insurance Limited to pay Mr H the total amount it cost him to have his kitchen repaired, less the amount it has already paid him. Interest should be added to this at the simple rate of 8% (less tax if properly deductible) from the date he paid for the repairs to the date of settlement.

I note that Mr H says he had to borrow money to pay for the repairs, therefore if he is able to evidence this and that he was charged a higher rate of interest than 8% on the borrowing, I would be minded to require UK Insurance Limited to pay interest at the higher amount.

I am also minded to require UK Insurance Limited to refund Mr H the second excess payment of £100.

Both parties have one month in which to provide me with any further submissions before I issue my final decision on the matter.

Chantelle Hurn  
**ombudsman**