

complaint

Mr B complains about poor service received from China Taiping Insurance (UK) Co Ltd during its handling of his home insurance claim for damage caused by a fire. He also complains that payments associated with his buildings claim were reduced because it said he was underinsured.

background

Mr B took out home insurance with China Taiping in December 2017. On 25 July 2018 there was a fire in the early hours of the morning on the decking adjoining his house. The patio doors shattered, the deck area was destroyed and there was damage caused to the living room and hallway and some of Mr B's contents. Mr B made a claim to China Taiping and it appointed a loss adjuster who visited the following day to assess the damage and validate the claim. During the visit the loss adjuster told Mr B he was adequately insured.

The loss adjuster arranged for a restoration company to attend to install an air scrubber machine to reduce the odour and remove damaged contents. On 1 August China Taiping told the loss adjuster to proceed with the claim subject to any underinsurance. The loss adjuster asked Mr B to obtain quotes from contractors to restore the damaged property and to provide it with a list of his damaged contents. Mr B provided China Taiping with the list of contents on 13 August and quotes from his contractors on 16 August.

The loss adjuster thought the contractors quotes were too high so told Mr B it would get its own contractor to quote. That contractor visited the property to prepare a quote on 24 August. Before the end of August Mr B had told the loss adjuster he was unhappy with the delays, the fact the house wasn't secure and that it was his son's 21st birthday but they were unable to celebrate at home. The loss adjuster said it was waiting for the results of the asbestos tests it'd had done and for the quote from its contractor.

In early September, Mr B chased the loss adjuster daily about the progress of the contents part of his claim. On 6 September the loss adjuster received its contractor's quote for the buildings work. As the quote wasn't competitive alongside the ones Mr B himself had obtained, the loss adjuster told him on 10 September that he could proceed with the cheapest of his own quotes. Mr B continued to chase his contents claim settlement into the middle of September.

On 13 September the loss adjuster told Mr B that his property was underinsured and that a 12% reduction would be made against the costs associated with the buildings aspect of the claim. On 17 September 2018 Mr B complained to China Taiping and to this service about the delays he was experiencing, the fact he had been told he was underinsured and the lack of progress with his contents claim.

Mr B asked the loss adjuster to pay the garden contractor directly and to pay his building contractor's invoice. When the garden contractor wasn't paid, Mr B paid it himself and asked China Taiping to reimburse him. Mr B continued to chase his contents claim through to the end of September and on 1 October the loss adjuster told Mr B that it was validating his contents claim.

Mr B said he thought the fireplace in the living room had been damaged (and its safety compromised) by the seat of the fire that was located on the other side of the wall. The loss adjuster said it'd needed proof of purchase for the fireplace. On 8 October 2018, China

Taiping asked Mr B to re-send his contractor's invoice for the decking and on the same day it agreed to an interim settlement of 50% of the value of the contents claim.

A few days later Mr B told the loss adjuster that he was unhappy with the settlement offered for his television as he had a new for old policy so he wanted what he'd paid for it, namely £1,188. Agreement was reached shortly after that Mr B would accept £950 for the television and an increased amount too for his damaged footstool. A few items remained in dispute as Mr B was unable to provide receipts/proof of purchase, but the contents claim settlement was finally agreed by the end of October.

At the end of October Mr B chased the loss adjuster about the fireplace and it agreed it would arrange to have it cleaned and if that wasn't possible, to get a second opinion. The restoration company confirmed that it could clean the fireplace, but Mr B told China Taiping he remained concerned about its safety. On 8 November Mr B chased the loss adjuster again about the fireplace because he said it was holding up the redecoration. He said he didn't just want it cleaned, he wanted a safety assessment. The following day, Mr B told the loss adjuster he'd removed the fireplace as an engineer had told him it was unsafe.

About a week later the loss adjuster told Mr B he shouldn't have disposed of the fireplace because it was the property of China Taiping.

On 12 November, China Taiping issued its final response to Mr B's underinsurance complaint. It said it'd checked its surveyor's valuation and found it to be correct. It drew Mr B's attention to the wording he would've seen on the price comparison site he'd bought the policy from, namely that it was his responsibility to provide an accurate building sum insured. It said its surveyor had carried out a 'value at risk calculation' which showed the buildings sum insured was only 88% adequate.

As Mr B had already complained to this service in September 2018, and as his complaint also included complaints about poor service and delays which China Taiping hadn't addressed in its final response, our investigator sought its permission to also look at these aspects of his complaint to which it consented.

Our investigator issued her findings in September 2019. She thought that China Taiping had fairly applied the policy average clause to Mr B's buildings claim but she said there were delays with processing the contents claim. She didn't think that China Taiping had unfairly declined a request made by Mr B to move into alternative accommodation, that the settlement for the television was unfair or that proof of ownership of contents claimed was unreasonably requested. Finally, our investigator thought that China Taiping should pay to replace the fire and pay Mr B compensation of £500 for the poor customer service and delays he'd experienced.

China Taiping replied to our investigator to say it agreed with everything she'd said and recommended except for the compensation payment of £500. It said it believed all correspondence had been responded to in a timely manner and within accepted service level agreements. So, it said the recommendation that it pay compensation of £500 was unfair. Our subsequent investigator thought about what China Taiping had said but didn't change his mind. He thought there were occasions throughout the claim where Mr B had had to chase responses along with avoidable delays in progressing the claim.

As China Taiping remained unhappy the complaint was passed to me and I issued a provisional decision in July 2020. I made the following provisional findings and reached the following provisional decision:

“my provisional findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. I think this complaint should be upheld. I’ll explain why.

For ease of reference I’ll use the same sub-headings here as our investigator did.

underinsurance

Mr B would’ve been directed from the price comparison website to China Taiping’s/its broker’s own website to complete the sale. It’s at this point the insurer is entitled to ask more detailed questions. In this case, on being redirected to the broker’s website for China Taiping, Mr B wasn’t asked any further questions about the property’s rebuild value. I’ve checked the proposal form and can see that all it said was “Full rebuilding costs of the property (please note this is not the market value)” and a figure of £186,000 was inserted in a box alongside.

Mr B says that he used the tool available on the price comparison site during the sale to calculate the rebuild cost of his house and that he entered all the details requested accurately. By relying on the price comparison site to assess an average value of his property given its age, type, building material, an allowance for external works and location etc. he was given a rebuild cost by the tool of £186,000. Since making his complaint, Mr B has entered a new quote on the price comparison site and, by using the calculator tool available, has been given a rebuild cost of £190,000. Given that this latest figure is so close to the figure Mr B obtained at the point of sale he says he thinks it shows his rebuild figure at the point of sale was correct and that he wasn’t underinsured.

When the loss adjuster attended the property he carried out a more detailed assessment using the industry RCIS building cost calculator service which required the precise measurement of floor area of the property. He included an amount for the garage, fences and decking and obtained a rebuild value of £212,000. From this figure, China Taiping concluded that Mr B had underinsured his property by 12% and reduced the buildings aspect of his claims settlement accordingly.

But the building cost calculator used by the loss adjuster wasn’t made available to Mr B during the sales process. The only tool he came across was the one provided by the price comparison website. He provided the information the tool required to calculate the rebuild cost and was given the figure of £186,000.

Obviously the loss adjuster has the advantage of being an experienced valuer. But I have to look at what Mr B was asked. And at no stage during the sales process was he directed to get a professional valuation. Mr B has said if he’d been advised to obtain a RICS calculation then he would’ve done. As he wasn’t, he doesn’t think it’s fair for China Taiping to disregard the only valuation it asked him to obtain and one which he says he took care to complete in good faith.

If China Taiping intends to rely on a detailed industry valuation tool to assess the buildings sum insured during the handling of the claim then it is only fair that it draws this fact to a consumer's attention at the point of sale. That way the consumer can make sure the sum insured reflects a professionally calculated rebuild cost. But I don't think it's fair for China Taiping to offer policies based on a rebuild cost calculated by using a price comparison website tool that differs so greatly from its own. If China Taiping needed more information to assess the rebuild value at risk before taking on Mr B then it should've asked for it at point of sale. But I've seen no evidence that it did.

As I don't think Mr B was given clear guidance about assessing the rebuild cost of his property I don't think it's fair to reduce his buildings settlement for underinsurance. I understand Mr B has had to pay the balance of his contractors' invoices himself. So, China Taiping now needs to reimburse him for the shortfall in the buildings claim settlement it required him to pay. It will also need to pay him interest on this amount at this service's usual rate of 8% simple per year from the date Mr B settled his contractors' invoices to the date it pays my award.

alternative accommodation

I appreciate that the fire left the property in an unpleasant condition and without an operational living room. But I don't think China Taiping unfairly declined to offer Mr B and his family alternative accommodation. That's because the kitchen and bathroom facilities remained usable. And whilst I don't doubt that being without a living room was inconvenient, it's typically when a kitchen and/or bathroom are unavailable for use that we would require an insurer to look to provide alternative accommodation.

television settlement

The policy terms require China Taiping to pay what it would cost to replace the particular television model at the time of the claim rather than the price it cost to buy when new. I can see the television originally cost Mr B £1,188 and that China Taiping offered Mr B £950 which, it said, was sufficient to replace it with a model of similar specification. That seems fair to me and is in line with the policy terms. And I note that Mr B agreed to settle for this amount in any event.

evidence required for contents claim

The policy requires the policy holder to provide evidence of value and/or age of contents items claimed for. Typically, this evidence can include the original purchase receipt or subsequent valuation or proof of ownership. Insurers are entitled to validate a claim and assess the value of the items being claimed for. So, I don't think the loss adjuster unreasonably asked Mr B to provide such evidence.

gas fire/fireplace

I can see that Mr B was extremely anxious about the safety of the electrically operated gas fire. I can see it is located on a false wall adjacent to the patio doors that melted in the fire and that the seat of the fire itself was the other side of the wall to where the fire was located. I can see that on raising this with the loss adjuster it was arranged to have the fire cleaned but that the cleaners were unable to comment on whether it was still safe to operate. I can also see that the loss adjuster said that there was no fire or extreme heat in the living room

so the gas fire was only smoke damaged, but that comment seems at odds with the evidence.

In the circumstances I don't think that it was unreasonable for Mr B to arrange for a gas engineer to inspect the gas fire. On attendance I can see he was unable to service it or check the flue owing to the redecoration that was being carried out and the problems a fire could cause to the gas fire itself. And when the builders were removing and replacing the plasterboard around the fire place they found the flue was cracked. The engineer recommended the fire be replaced.

I think the loss adjuster could've engaged with Mr B more about his concerns about the gas fire. I can see that Mr B asked for advice about what to do with the gas fire on several occasions but received no response. In the end Mr B arranged to dispose of the fire.

China Taiping said it wouldn't make a payment in respect of the fire because Mr B had prejudiced its position by disposing of it before it could inspect it. It also said that Mr B had disposed of potential salvage.

Mr B didn't dispose of the fire until the end of October 2018, so I think that China Taiping and its loss adjusters had sufficient time to inspect the fire and manage this aspect of Mr B's claim more closely. And I can see that Mr B told the loss adjuster that the fire was on the skip so it could've retrieved it had it so wished. But even though it didn't do so, it's reasonable to think that in its used and damaged state it was unlikely to have held much value.

Taking all the circumstances into account, I agree with our investigator that China Taiping should fairly be required to pay to replace the damaged gas fire and fireplace as part of the claim. And I think it should pay the cost Mr B incurred in appointing the gas engineer to inspect the fire (together with interest at this service's usual rate of 8% simple per year). I think this is a fair and reasonable resolution to this aspect of Mr B's complaint and I'm pleased to note that China Taiping agreed to our investigator's recommendations in this respect.

delays and customer service

It's only reasonable that an insurer should be permitted to take time to validate the claim and scope for any repair costs. So, whilst I accept it was disappointing for Mr B when the loss adjuster told him that it was going to appoint one of its own contractors to prepare a quote after Mr B had produced two of his own, I don't think doing so was unreasonable. The loss adjuster found Mr B's quotes to be too high and thought its own contractor could produce a more competitive quote. I appreciate that must've been frustrating for Mr B to have to wait but I don't think it was unreasonable for China Taiping to seek to reduce what it had to pay. And in any event, part of the delay during this time was due to the wait for the asbestos report.

But I do think China Taiping avoidably delayed the settlement of Mr B's contents claim. I can see that Mr B repeatedly chased the loss adjuster seeking progress on this aspect of the claim and that, not unreasonably, he wanted settlement so he could order a new sofa. Yet it took two months from Mr B's completion and submission of the contents list for this aspect of his claim to be progressed.

I can see that China Taiping has said it didn't progress the contents claim until the building repairs were progressing, but I don't think that is a fair reason to delay the contents settlement. And this service would expect to see both parts of the claim progressed concurrently. That way the contents claim should be being validated and replacement items sourced so that when the buildings work is completed the furniture can be delivered.

I note that China Taiping doesn't agree it caused any delays or was responsible for any poor customer service but I'm unable to agree. It can be seen from what I've set out above how frequently Mr B was chasing the contents claim and getting no response.

All insurance claims, by their very nature, attract a certain amount of inconvenience; some more than others. Fire claims are one of the more distressing claims to be involved with. Where an insurer, through its words or deeds makes an already stressful situation worse, this service can award compensation. I think that by repeatedly having to chase the loss adjuster about the contents claim, Mr B was put to some avoidable inconvenience. And the delay in paying his contents claim – given he wanted to get on with ordering new furniture – caused him un-necessary and avoidable distress.

But I don't think the fact Mr B was unable to hold the celebration of his son's birthday at home in early September was the fault of China Taiping. Even if the works were started more promptly I can't reasonably see how they would've been completed by then.

I've thought about what fair compensation looks like by taking into account all aspects of Mr B's complaint and I think that China Taiping should pay him some compensation for its failings. I've had regard to this service's approach to such awards and think that compensation of £250 fairly reflects the level of avoidable distress and inconvenience China Taiping caused Mr B in the way it handled his claim and is in line with awards made by this service in similar circumstances.

my provisional decision

My provisional decision is that I intend to uphold this complaint and to make China Taiping (UK) Co Ltd do the following:

- reimburse Mr B for the shortfall in the buildings claim settlement he was required to pay. Interest* will need to be added to this amount at this service's usual rate of 8% simple per year from the date Mr B settled his contractors' invoices to the date China Taiping (UK) Co Ltd pays my award.*
- pay for Mr B to replace his gas fire and fire place in line with the policy terms;*
- reimburse Mr B for any cost he incurred (upon proof of payment) in appointing a gas engineer to inspect his gas fire and pay interest at this service's usual rate of 8% simple per year from the date Mr B paid the engineer to the date China Taiping (UK) Co Ltd pays my award.*
- pay Mr B compensation of £250 for the distress and inconvenience caused to him by the avoidable delays in its claims handling."*

Mr B replied to say he accepted my provisional decision. China Taiping replied and said the comments it was making in response were directed at the part of my provisional decision related to 'delays and customer service'. It said that:

- whilst it appreciated the compensation amount it was being asked to pay had halved it remained of the view that no compensation at all should be paid;*

- it'd had to prioritise certain aspects of Mr B's fire claim and had focussed its attention on the buildings aspect rather than the contents aspect;
- some items that originally formed part of the contents claim were redirected to the buildings claim; in particular the fireplace and garden plants. So, aspects of the claim were interlinked meaning the contents claim wasn't straightforward or capable of being dealt with completely independently of the buildings claim;
- Mr B didn't actually need some contents before the building was reinstated and that it was trying to avoid storage costs which may arise as a result of delivery of items before the building was reinstated;
- Finally, some of the items that formed part of the contents claim were delayed because Mr B hadn't been able to produce the necessary proof of ownership/purchase.

The complaint was returned to me for a final decision.

my findings

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

Whilst I've noted China Taiping's comments in response to my provisional findings on delays to the claim and poor customer service, they haven't persuaded me to change my mind. I appreciate that China Taiping doesn't think it should be made to pay any compensation, but I set out in my provisional decision my reasons why it should. Similarly, I note its comment about prioritising the buildings aspect of Mr B's claim over the contents aspect but, for the reasons I gave provisionally, I don't agree. I think China Taiping could've progressed the contents claim more proactively so that damaged items could be validated, and replacement items sourced, so that when the buildings work was completed the furniture could be delivered.

Nor am I persuaded that the incorrect categorisation of certain aspects of the claim should be used to justify a delay in validation and settlement. And if items weren't capable of being dealt with independently of the buildings claim I'm not sure I understand why they weren't then progressed simultaneously.

Whilst Mr B may not have needed some of his replacement contents delivered whilst the buildings were being reinstated, he did need authorisation to source and order items so that when the building was reinstated he was able to take delivery and not be put to the additional inconvenience of waiting even longer for replacement contents to arrive.

I've commented provisionally that China Taiping was entitled to ask Mr B for proof of ownership for the items he was claiming for. I've not factored any delay to settlement of the contents claim that was the result of Mr B obtaining the requested proof into my compensation award. I set out provisionally how I thought China Taiping had caused Mr B an un-necessary delay and explained what I thought amounted to poor customer service. It is for the reasons I gave there that I remain of the view that compensation of £250 is fairly and reasonably due for the avoidable trouble and upset Mr B was caused. My provisional findings now form part of this, my final decision.

my final decision

My final decision is that I uphold this complaint. I require China Taiping (UK) Co Ltd do the following:

- reimburse Mr B for the shortfall in the buildings claim settlement he was required to pay. Interest* will need to be added to this amount at this service's usual rate of 8% simple per year from the date Mr B settled his contractors' invoices to the date China Taiping (UK) Co Ltd pays my award.
- pay for Mr B to replace his gas fire and fire-place in line with the policy terms;
- reimburse Mr B for any cost he incurred (upon proof of payment) in appointing a gas engineer to inspect his gas fire and pay interest at this service's usual rate of 8% simple per year from the date Mr B paid the engineer to the date China Taiping (UK) Co Ltd pays my award.
- pay Mr B compensation of £250 for the distress and inconvenience caused to him by the avoidable delays in its claims handling.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 September 2020.

Claire Woollerson
ombudsman

**If China Taiping (UK) Co Ltd considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*