complaint

Mr and Mrs K are unhappy with the amount Royal & Sun Alliance Insurance Plc has paid to cash settle a claim made for damage caused by an escape of water.

background

In October 2017 water from an upstairs flat escaped into Mr and Mrs K's kitchen, damaging units, appliances and flooring. Mr and Mrs K submitted a claim on 2 November 2017 and a loss adjuster was sent to inspect and report on the damage. On 6 November 2017 their boiler had started leaking.

Keen to get matters resolved Mrs K contacted the loss adjuster on 13 November seeking an update; she was told the insurer was awaiting the loss adjuster report and schedule of works. The following day, after arranging a builder to come out and quote for work, Mrs K sent in a quote for a replacement kitchen. She was looking for a cash settlement as she had a builder ready to go. The quote included a brand new kitchen, flooring and appliances including a new oven. The quote was referred for consideration with Mrs K chasing a few days later.

The loss adjuster asked for a second quote as the costs in the first quote were too high. But this request went to the wrong e-mail address and didn't reach Mrs K. On 22 November it was agreed Mrs K could get someone to fix the boiler and send an invoice. The following day the loss adjuster agreed to strip out costs and the work was subsequently carried out. Soon after it was agreed the oven was beyond repair.

Mrs K chased settlement on 28 November but by this time a referral had been made to the insurer as it had come to light leaks from upstairs had happened previously and the loss adjuster wanted to ensure the damage was covered. It took a couple of weeks for this referral to be completed which Mrs K complained about. The insurer apologised for the delays and paid them £200 compensation.

Given the difference between the costs reported by the loss adjuster and Mrs K's quote a revisit of the property was arranged. After disagreeing that all damaged units had been included, the insurer agreed to costs for all units, agreed the flooring costs and a contribution to sanding the remaining floor (as it ran through other areas of the flat), a replacement oven, repair costs for the boiler and the associated installation and repair works. It also agreed a 50% contribution to the dishwasher fascia. But the insurer didn't agree costs for a new dishwasher, sink or mixer tap, as these weren't damaged as a result of the escape of water, instead it allowed an amount for removal and refit. In all it offered over £9,000.

Mrs K complained as she wasn't happy with the settlement offer and believed the insurer should pay her quote. RSA considered the complaint and was satisfied it had offered a fair settlement. However, it agreed to uplift the amount by 3% to £9,752.96 (after excess) as there had been some delays. This amount was subsequently paid.

One of our investigators looked into the complaint. She concluded that RSA hadn't fully indemnified Mr and Mrs K for the claim – she didn't think it fair RSA only pay what it would have cost it to repair the damage, particularly as the loss adjuster hadn't been using the correct e-mail address which led to delays and a second quote for works not being obtained. So she asked RSA for the difference between what it had already paid and Mrs K's final cost for work. And because of the delays caused during the claim she asked RSA to pay an

additional £400. She also asked it to cover the costs of the replacement boiler on provision of an invoice.

RSA didn't agree and is satisfied it has fairly settled this claim. It also thinks it has fairly compensated Mr and Mrs K for the delays and inconvenience caused. Mrs K says the boiler wasn't fixed and needs replacing but it's hard to identify the cause. Since then she has provided a quote to replace the boiler and a report which says the boiler is damaged due to water ingress.

I issued my provisional decision on 11 March 2019 explaining why I was minded to find that RSA had already made a fair settlement of the escape of water claim, and paid sufficient compensation for the delays and inconvenience caused.

Mr and Mrs K disagree with my findings. In summary, they say:

- The significance of the wrong e-mail address cannot be overstated. The agreement to strip out costs, procured from the same contractor, resulted in an untenable situation with regard to the habitability of their home. Had they received clear communication their quote was in question they wouldn't have proceeded with the strip out. The loss adjuster's approval to the strip out costs came with a tacit inference the overall quote was within acceptable levels.
- They firmly contest the assertion that RSA lacked the opportunity to send its own contractors to provide a competitive quote. They say they repeatedly asked about availability on the phone. Between the first inspection and the revisit five weeks later there was ample time for RSA to arrange for their preferred supplier to visit. Had the approval for the strip out not been given they would have refrained from the works and waited for the eventual competitive quote to be procured. The mishandlings of the claim left them with no alternative other than progress remedial works.
- The ombudsman observed items were included on the quote which weren't damaged. Their builder quoted for everything in the kitchen which was an oversight and an offer to obtain a new quote was made, but were told was unnecessary. The boiler was mentioned in the original claim. RSA closed the claim prematurely and once the appeals process had commenced they sourced a replacement quote and engineer's report.

RSA asked to see any comments Mr and Mrs K had made in response to the provisional decision. It has said, in summary:

- The leak occurred on 25 October 2017 and the claim made on 2 November 2017. On 10 November 2017 the loss adjuster attend the property and a report received on 15 November 2017. The customer was chasing and offering her own quote. The strip out works were authorised on 23 November 2017 and a disturbance payment was made per day.
- It reiterates Mr and Mrs K acted without its consent. In response to Mr and Mrs K's point that "had we received clear communication that our quote was in question we would not have proceeded with the strip out works" it has highlighted sections from its records of telephone discussions had with Mr and Mrs K which indicated it would still need to review their quote. And when they were told that they asked to speak with a manager. The following day Mr and Mrs K informed it the builder had been instructed for works and would lose money, for which they would want to be reimbursed. RSA refused this.

- It's unclear what the tacit inference is but disagrees this amounts to an authorisation of costs.
- It asked for a report on the boiler but this was never received.

I will respond to the points made in my findings below, which incorporates my provisional findings also.

my findings

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

Although I have only summarised the background and arguments above, I would like to reassure both Mr and Mrs K and RSA that I have considered all that has been said and provided, including the responses to my provisional decision.

Mr and Mrs K's policy does cover for loss and/or damage caused by an escape of water. The policy explains, under 'Preferred Suppliers' that:

> *Where we can offer a repair or replacement through a preferred supplier but we agree to pay our customer a cash settlement, then payment will normally not exceed the amount we would have paid our preferred supplier.*

Mr and Mrs K submitted their claim on 2 November 2017. The loss adjuster records show the earliest available appointment for a visit was 8 November and an appointment was utlimately made for 10 November 2017. The loss adjuster reviewed the damage and submitted a schedule of work for consideration. By 13 November Mrs K was chasing for an update and was told the report and schedule needed consideration. But the following day Mrs K sumitted a quote she had obtained from her own builder and a quote for a kitchen; she was looking for a cash settlement.

During the course of this complaint, Mrs K has said RSA didn't offer to send out its own contractors. But having considered the timeline of events, I don't think it ever got that chance. Despite knowing RSA had sent out a loss adjuster and the report and schedule of works were being considered, Mrs K had obtained her own quote for both the work and a replacement kitchen and submitted them for consideration of a cash settlement. This was because she had a builder ready to go and it doesn't appear she wanted to wait – understandable given the time of year. But I am satisfied RSA was willing to arrange repairs/replacements and therefore indemnify Mr and Mrs K for their loss. But Mr and Mrs K wanted a cash settlement instead. As set out, under the terms of the policy they are only entitled to the amount it would have cost RSA to rectify the damage.

Mr and Mrs K have said they were willing to wait for RSA's own preferred supplier to visit and provide a quote. But that was what the loss adjuster's report was for – assessing the damage and what it would cost to put right. As Mr and Mrs K had already said they wanted their own builder to complete the works, there would have been no need for RSA to obtain further quotes or send out a preferred supplier – Mr and Mrs K had already asked for a cash settlement. And they were aware RSA (or its agents) were in the process of considering the report when they asked for the cash settlement. So I remain satisfied that RSA was willing to arrange repairs/replacements and indemnify them for their loss but they wanted something different.

I do understand the cost to Mr and Mrs K of getting their kitchen repaired and parts replaced is higher than the settlement RSA paid. But it is often the case that insurers can get such work completed more competetively. As RSA was prepared to indemnify Mr and Mrs K then I don't think its fair to ask RSA to meet the full cost Mr and Mrs K paid, only what it would have had to pay itself. What I need to consider is whether to the settlement amount paid represents the amount it would have cost RSA to complete the works.

From the records provided I can see that after the revisit and further discussions with Mrs K, the scope of liability for RSA included all of the units and sundries, the flooring – including sanding the remaining flooring, repairing the wall, replacing the oven and an amount to cover fixing the boiler as quoted for by Mrs K's contractor. I can see Mr and Mrs K's quote included items that weren't damaged, such as the sink, a mixer tap and a dishwasher. But as they weren't damaged RSA isn't required to pay any costs in replacing those items. I understand Mr and Mrs K were willing to obtain a new quote with those items removed, but like the loss assessor I don't think that was necessary as RSA could work from the quote and omit those items. It did include costs for removing and refitting those items, which I would expect. RSA also included 50% of the cost of replacing the fascia for the dishwasher as the original wouldn't match. This is in line with our approach where matching parts aren't damaged but would leave the customer with unmatched furniture. And its scope did include labour. So I'm satisfied RSA's settlement included everything it needed to and I find no basis on which to ask it to pay the full cost paid by Mr and Mrs K.

Mr and Mrs K have highlighted the importance of the incorrect e-mail address being used and that they wouldn't have gone ahead with the works if they hadn't had a tacit inference the cost had been approved.

Like RSA I'm unsure what the tacit inference is. Approving strip out costs is not the same as agreeing the quote for works. And although I fully accept that RSA was sending emails to the wrong address, RSA's records do show Mr and Mrs K were aware their quote hadn't been approved, as this formed part of their telephone conversations with RSA (its agents) *after* the strip out costs had been agreed. Indeed, it was at this time the referral had been made to RSA about the previous leaks and the delays in considering that were something they complained about and I consider below. So I'm satisfied Mr and Mrs K were aware their quote *hadn't* been approved when they went ahead and instructed their builder to start works.

Mr and Mrs K also complained about the delays, particularly when a matter needed to be referred back to RSA for consideration. As with all buildings insurance claims, putting the matter right takes time. And it isn't unusual for this to take several months. Mr and Mrs K submitted their claim at the beginning of November 2017 and had a settlement offer by the beginning of January 2018. Whilst there were some small delays in this process, RSA has already paid £200 compensation and uplifted the final settlement offer by 3%. I consider this fair compensation for the delay experienced. I have also noted that RSA included an amount for VAT but it doesn't appear Mr and Mrs K's contractor was actually VAT registered – so RSA has paid more to Mr and Mrs K than they were due.

Finally, I note that Mr and Mrs K say the boiler repair didn't work and they need a new boiler. I can't see from the information I've been provided that Mr and Mrs K have ever let RSA know that. So although this might have been part of the original claim, RSA was waiting for information from Mr and Mrs K that it never received. And as Mr and Mrs K have now had report done, they will need to send that to RSA for further consideration.

I’m satisfied RSA has made a fair settlement of Mr and Mrs K’s claim, and fairly compensated them for the delay, and so I make no award against RSA.

my final decision

For the reasons given above, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs K to accept or reject my decision before 23 May 2019.

Claire Hopkins
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