

## **complaint**

Mrs and Mr H are unhappy that The Society of Lloyd's (SoL) haven't reconsidered their building insurance claim in light of new evidence they've provided.

## **background**

Mrs and Mr H originally complained to SoL in 2015. Part of the complaint was that it wouldn't pay the full value of their claim; as SoL believed their property was underinsured.

Mrs and Mr H's complaint was investigated by our service. One of our ombudsmen didn't uphold it regarding the full value of the claim not being paid. And they said that the offer SoL had made in respect of the inconvenience they had suffered as a result of the way their claim had been handled was fair. The ombudsman also said that SoL had stated that it would be prepared to consider any evidence that Mrs and Mr H produced in the future.

Mrs and Mr H got their own surveyors report and sent this to SoL. The report concluded that the property wasn't underinsured. But SoL didn't think this made a difference – it still thought the property was underinsured. So Mrs and Mr H made another complaint to this service.

Our investigator upheld the complaint. He felt that the report provided by Mrs and Mr H's surveyor was more persuasive than that provided by SoL's loss adjuster. This was because it gave a breakdown of the total rebuilding costs and referred to multiple guides. He therefore felt it was unfair for SoL to have refused to increase the claim settlement.

SoL didn't agree that Mrs and Mr H's surveyors report accurately reflected the total area of the property and the actual rebuild cost, as in its view the report didn't include the outbuildings.

Our investigator clarified with Mrs and Mr H's surveyor as to what his report covered. The surveyor said that his rebuild calculation included the main building, the recent extension, externals and outbuildings. Local rebuild costs from approved contractors were also sought. SoL still didn't agree that the report was a true reflection of the rebuild cost. So the complaint has been passed to me for a final decision.

I issued a provisional decision on 18 August 2017 to explain why I thought the complaint should be upheld in part. And I said I'd consider anything else the parties wanted to give me – as long as I received it by 1 September 2017.

Mrs and Mr H asked if the settlement included under insurance, additional damage and repairs and deep clean. They also queried how interest was to be paid and the total amount paid for the poor handling of their claim and complaint. And they set out why they should be paid for the cleaning costs they had incurred, together with the removal and return of their possessions. SoL said that the underwriters had no further comments to make.

SoL were asked to comment on Mrs and Mr H's request for temporary repairs and the deep clean to be paid. It asked for copies of the invoices. It went on to say that it hadn't been made aware of the additional works - and the works had been carried out without any discussion or inspection by its loss adjusters. I asked it to clarify its position. SoL said it hadn't been given the opportunity to consider the additional damage and associated costs. And it went on to say that it would be unreasonable for these costs to be included with the claim. In response Mr H said approvals for the works were given verbally.

Mr H, he told me that there had been some confusion regarding the temporary repairs. If the underinsurance was paid then the cost of the temporary repairs was no longer in issue. He

felt the time his family had spent in dealing with the claim went beyond what was reasonable. And he thought his family's time should be paid by SoL – including the time they had spent moving their furniture during the rebuilding and redecoration.

I wrote to Mr H in response. I told him that I didn't think the cost of the cleaning, moving furniture and the deep clean should be paid by SoL. In reply he suggested a compromise and said he couldn't see any reference to the original £1,000 that had been awarded. And he was disillusioned that I thought the insurance company had been prejudiced by his getting the property cleaned. He was disappointed that his compromise offer had been rejected.

Our investigator contacted SoL about the £1,000 awarded in the first decision. It said that payment would be made by BACS which would reach Mr and Mrs H in three working days.

### **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've thought very carefully about the points made by Mrs and Mr H in response to my provisional decision and our subsequent correspondence. I'm still of the view that Mrs and Mr H's complaint should be upheld in part. And that the methodology I've proposed to compensate them is correct. I've explained my reasoning below.

#### *what is the actual rebuild cost for Mrs and Mr H's property?*

The parties' experts didn't agree what the *actual* rebuild cost of Mrs and Mr H's property would be. The first difference in valuations between Mrs and Mr H's surveyor and that of the loss adjuster appears to be based on the assumed rebuild cost per square metre of Mrs and Mr H's property. This seems to be partly down to a disagreement about the materials used to construct the property. SoL also says that Mrs and Mr H's valuation doesn't include the cost of the outbuildings.

SoL's loss adjuster provided a number of different estimates for the rebuilding costs. The site note from 26 September 2014 says the property was constructed from stone and pitched slate. It gives a rebuilding cost of £471,500. Although it says the sum insured of £466,432 was inadequate, it also suggests that there was a 99% adequacy for the sum insured. And the summary and conclusion section indicates that the claim was being accepted in full.

On 7 October 2014 the loss adjuster wrote to Mrs H. He said that he calculated the rebuild cost including the barn at the rear as at least £628,000. He went on to say that the sum insured should be based on the cost of reconstruction using similar materials, which in this case was stone and slate.

On 17 October 2014 SoL's loss adjuster prepared another report. It referred to the construction as stone and slate. It went on to say that the sum insured should be at least £605,000.

On 6 March 2015 SoL's loss adjuster wrote to Mrs H with an explanation as to how it had calculated the rebuilding cost of their property.

The loss adjuster told Mrs and Mr H that it had used the Building Cost Information Service ("BCIS") website to establish the rebuilding cost of the property. It had measured the floor area at 260m<sup>2</sup>. It applied a 75% increase against standard construction as the property was stone facing. The rebuilding cost was £605,182. The reinstatement calculation it also provided, gave a total cost of £645,000. It added a 65% uplift to take into account the stone cladding.

Mrs and Mr H's surveyor confirmed that his calculation included the main building, the recent extension, externals and outbuildings. His report said that local rebuild costs from approved contractors were also sought. He had also used his own experience in the insurance sector and BCIS rebuilding guidance rates. And I can see that the report does provide a breakdown as to how the costs had been calculated taking into account the various materials from which the property was constructed. It also breaks down the costs for the stonework part of the building and the blockwork, brick and timber part of the building. It gave a total rebuild cost of £464,000.

SOL's loss adjuster has said the property was built from stone and slate. But having carefully thought about everything I've been given, I'm not persuaded that it was predominantly made of those materials. I'll explain why.

Mrs and Mr H and SoL have provided photos of the property. I can see brick work and sections that look like they have been clad. It also looks to me that a significant part of the property was rendered. Mr H has said that this was due to the poor state of the stone work. So overall the evidence I've seen doesn't suggest that as much stone and slate would need to be used to reinstate the building as has been suggested by SoL.

I have some concerns about the valuations provided by SoL's loss adjuster. There are inconsistencies in the values given. And there's no explanation as to why the original rebuilding cost figure quoted in the site note of 29 September 2014 was wrong. The site note also suggests that the claim was being accepted in full. And the subsequent valuations provided by SoL's loss adjuster, don't to me provide a clear explanation as to how the rebuilding costs have been calculated – compared to Mrs and Mr H's surveyors report.

So for the reasons I've set out above I think that Mrs and Mr H's surveyors report is more persuasive as a calculation of the rebuilding cost. As a result I don't think SoL has established that Mrs and Mr H's property was underinsured. And I think its continued settlement of the claim on that basis is unfair.

As a result of SoL not paying the claim in full, I'm satisfied that Mrs and Mr H have suffered financial losses. For example they've had to pay £11,112.65 towards the repairs. And their surveyors fees of £1,383.39. I think Mrs and Mr H should be compensated for the losses they've suffered resulting from the way the claim has been dealt with by SoL since it had their surveyors report.

Mrs and Mr H have provided credit card statements which they say show the cost of a money transfer that they had to make to pay for some of the repair costs. I've not seen enough evidence which indicates that this item relates to payments they had to make towards the repairs. So I'm not going to make an award in relation to the cost and interest they've incurred in relation to that money transfer.

Mrs and Mr H have also said that they and their family had to carry out cleaning because the professional cleaners didn't do a good job. And since I issued my provisional decision

they've said that they had to transport their belongings into storage which SoL didn't pay for. I think any assessment of the quality and standard of such work is to a certain degree subjective. And I think it's normal after such an unfortunate event, for some cleaning to be carried out by homeowners such as Mrs and Mr H. And I've not seen enough to suggest that Mrs and Mr H notified SoL that the cleaning contractors work wasn't of a good enough standard. Or that it sought approval from SoL's loss adjusters for the deep clean to be carried out.

I've also not seen enough evidence which indicates that Mrs and Mr H sought and were given authorisation for the cost of transporting their belongings into storage. So I'm not persuaded that the deep clean and removals costs are something SoL should pay for, as I'm not satisfied it was given the opportunity to consider and approve this work before it was carried out.

### **putting things right**

- SoL should pay Mrs and Mr H the amount it deducted from the cash settlement of their claim in relation to the underinsurance. My understanding is that this amounts to £11,112.65. Simple interest at 8% pa\* should be added to this amount from the cash settlement date, to the date when this amount is paid by SoL.
- Pay Mrs and Mr H surveyors costs of £1,383.39 together with simple interest at 8% pa\* on this amount from the date it was paid by them, to the date when this amount is paid by SoL.

Pay Mrs and Mr H £300 for the distress and inconvenience as a result of the further delays in considering their surveyors report. This should be paid within 28 days from the date on which we tell it Mrs and Mr H accept my final decision. If it pays later than that it must also pay interest on that amount from the date of my final decision until the date of payment at 8% per year simple\*.

\*If SoL considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs and Mr H how much it's taken off. It should also give Mrs and Mr H a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

### **my final decision**

For the reasons I've set out above, I've decided to uphold Mrs and Mr H's claim in part. I direct The Society of Lloyds to pay Mrs and Mr H compensation as set out in the "putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs and Mr H to accept or reject my decision before 27 December 2017.

Simon Dibble  
**ombudsman**