

complaint

Mr and Mrs H complain that Society of Lloyd's (SOL) reduced the settlement of their fire claim under their home insurance policy for underinsurance.

background

Mr and Mrs H had home insurance with SOL and made a claim when their home was damaged by a fire. The loss adjusters who inspected the property concluded that the property had been 'underinsured' by 23%. SOL therefore reduced the settlement for repairs by that amount.

Responding to Mr and Mrs H's complaint about its handling of the claim, SOL offered £1,000 compensation but maintained its position concerning the underinsurance. Mr and Mrs H complained to this service about SOL's decision to reduce the settlement of their claim and its handling of the claim. They say the work was completed by their builders and that they've been left unable to pay for the work. Our adjudicator didn't feel that the complaint should be upheld. She noted that the loss adjuster had based his assessment of the valuation of the property on the fact that it was of stone construction and that, other than Mr and Mrs H's own comments that it wasn't, the only evidence to contradict the loss adjuster's opinion, was an estimate from her builders. She concluded that SOL's offer to consider any evidence that Mr and Mrs H produced in the future was reasonable but that its current position was fair. Regarding SOL's handling of the claim, she felt that there had been failings but that its offer of £1,000 compensation was fair.

Mr and Mrs H have asked for their complaint to be reviewed by an ombudsman. They've commented that SOL's decision was based on a thirty-minute appraisal by their loss adjuster, that it had paid out on two previous claims without raising underinsurance as an issue and that the significance of the material from which the building was constructed wasn't made clear when they took out the policy.

my findings

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

The sum insured is the cost of rebuilding the property on a like for like basis in the event of a claim. This complaint centres on whether the loss adjuster's assessment of the rebuild value of the property was reasonable. The first loss adjuster described the house as being a '*detached house constructed of stone walls and pitched slate*' and noted that the sum insured was '*inadequate*'. A second loss adjuster was appointed and concluded that the sum insured should have been £605,000 and not £466,432. This conclusion was based on his measurements of the building and it being of stone construction.

Mr and Mrs H dispute the loss adjuster's assessment of the rebuild value of the property, arguing '*all of the outbuildings are of single breeze block construction and no stone is used. If I had to estimate the true percentage of our house that is stone I would say that it was roughly 30%*'. However, they haven't produced a formal valuation report or anything to persuade me that the loss adjuster's opinion isn't reliable or that the property isn't of stone construction. Their builder has said the rebuild value of the property was £455,000 and that this was based on a like for like reinstatement, but this isn't supported by a formal report and I'm not satisfied that the opinion of the builder is more reliable than that of the loss adjuster.

I can only base my decision on the available evidence and at this point, I'm not persuaded that Mr and Mrs H have shown that SOL acted unfairly when it reduced the settlement of their claim based on the loss adjusters' assessment of the rebuild value of their property. The fact that SOL has previously paid out two claims in full doesn't stop it from reducing this claim because of underinsurance and I haven't seen any evidence that the loss adjuster's conclusion wasn't based on a proper assessment of the rebuild value. SOL has said it would be prepared to consider any evidence that Mr and Mrs H produce in the future and I think this is fair.

Whilst I understand that SOL paid the first repair invoice in full and that Mr and Mrs H went ahead with the work before they knew the claim wouldn't be settled in full, Mr and Mrs H haven't produced any evidence to demonstrate that they've suffered any specific loss. They've said they could have modified the work to reduce costs, but SOL would only ever have paid out for work that was necessary to ensure a lasting and effective repair and this isn't something that was affected by the property having been underinsured.

Mr and Mrs H have made comments about the involvement of their broker in deciding the sum insured that was declared when they took out the policy. If they wish to pursue this, it will have to form the basis of a separate complaint to the broker.

compensation

I have considered SOL's handling of the claim in detail and I accept that there were significant failings on SOL's part, in particular avoidable delays which resulted in unnecessary distress and inconvenience for Mr and Mrs H. However, SOL has offered to pay them £1,000 compensation and I find that this is reasonable and that it appropriately addresses the impact its failings had on them.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 15 February 2016.

Carolyn Bonnell
ombudsman