

complaint

Ms K's home was flooded, and she is unhappy with how her claim was handled and progressed by her home insurance provider Royal and Sun Alliance Insurance Plc. She also complains that RSA double counted some of her items in an attempt to show that she should have had a higher sum insured and to make it look like she had underinsured her contents. Ms K feels RSA didn't act in good faith.

background

Ms K's house was flooded in May 2018. The entire downstairs was affected to the extent that most of the contents were destroyed and the house was uninhabitable. RSA accepted that all the areas affected by flood would require full redecoration.

RSA employed third-party contractors to remove the destroyed contents, dry out the house and to complete repairs. Ms K was unhappy that it took RSA three months to clear all the destroyed contents from her address. She said that the dehumidifiers weren't brought in for a couple of months and that because of this, items upstairs such as beds and curtains that had not been damaged in the flood, became mouldy and were ruined. Ms K felt that RSA should have cleared the house within the first few days, then put the dehumidifiers in so that the unaffected contents remained in good order. Ms K says she was advised not to touch any of the flood damaged property herself as it may be contaminated.

Ms K has raised a number of service issues that she experienced between May 2018 – the flood date - and November 2019, when her claim was fully settled. Ms K moved back into her address in February 2019, she received her first settlement payment in April 2019 and the second and final settlement payment in November 2019.

Ms K said that she contacted RSA immediately after the flood and was told by RSA that she wasn't entitled to emergency accommodation. Ms K said that RSA then agreed that they would pay for a rental property but didn't help her to find a property that would accept her and her pets. Ms K says that she found a landlord herself, that was willing to rent a property to her. RSA did pay for Ms K's rental property.

As stated, she didn't receive any settlement funds from RSA until April 2019 for her contents. By this time, she was already back in her home address. She said that RSA should have provided her with some funds when she first moved into the rental property as she had to use her own money to buy clothes and contents for the rental property.

Ms K felt that RSA had not handled her claim in good faith. She explained that on a couple of occasions RSA had double counted items such as furniture and books. She said that these items were added to the inventory sheets twice causing around £7,000 of contents to be counted twice. Ms K said that she felt RSA had done this so that they could put her in a position where she was in excess of her contents insurance limit and therefore underinsured. Ms K felt that RSA did this so that they could reduce their liability to her. RSA accepted the double counting and once notified they removed it. They said that the double counting was human error and wasn't done in bad faith.

However, the question of whether Ms K was underinsured or not wasn't resolved until May 2019, a year after the flood. Ms K said this left her in a limbo of not knowing how much she would be paid in a settlement and what she could afford to buy. Ms K said that when she moved back into her home, she still hadn't had any settlement from RSA and had to buy all the white goods such as fridge freezer, cooker and washing machine herself. Ms K said that she had asked RSA a number of times to pay her money on account so that she could purchase goods but as the underinsured issue hadn't been resolved, RSA didn't provide any money on account. Ms K said that fortunately she was in a position to buy these items without going into debt.

Ms K said that she felt let down by RSA as throughout the claim she had several different loss adjusters. Ms K said that there was a lack of communication and updates from RSA, in that they didn't notify her when loss adjusters were replaced. Ms K said that this meant that she had difficulty finding out what was happening with her claim. Each time there was a new loss adjuster allocated to her case, Ms K said that she had to brief them as none of them had read the case notes.

RSA were due to send building contractors into Ms K address in October 2018 and the work was due to be completed by early February 2019. Ms K said that the building contractors didn't start until January 2019 and the work wasn't finished until late February 2019. So, Ms K was out of her address for nine months. Ms K said that the stress of being out of her home for so long and all the issues that arose throughout the claim caused her a great deal of stress and had a negative effect on her physical and mental health. She said that she had renovated the downstairs before the flood and intended to sell the house to finance her retirement. She said that this was put on hold due to the ongoing issues.

Ms K complained to RSA about their handling of her claim. RSA did acknowledge that there had been some errors. However, to date RSA haven't issued Ms K with a final response letter. So, Ms K brought a complaint to our service. One of our investigators looked into Ms K's complaint. The investigator thought that there had been failings in RSA's handling of Ms K's claim and said that RSA should pay Ms K £300 for distress and inconvenience. RSA accepted the investigators view but Ms K didn't. Ms K asked for an ombudsman to make a decision.

my provisional decision

In my provisional decision, I said:

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

Having read the evidence submitted and the accounts of both parties, I intend to uphold Ms K's complaint. I'll explain why.

I have had a useful conversation with Ms K, this conversation gave me a real feel for the issues she experienced throughout the course of this claim. I am grateful to Ms K for her time in explaining this to me. However, in terms of this judgement I want to concentrate on the following issues:

- Did RSA progress Ms K's claim in a timely manner?
- Did RSA act in good faith in the handling of Ms K's claim?
- Did RSA keep Ms K updated during the claims process?
- Has RSA's handling of the claim caused Ms K unnecessary distress and inconvenience?

Did RSA progress Ms K's claim in a timely manner?

When an insurer is contacted by a customer after an incident, I'd expect them to assist their customer by making reasonable efforts to gather all the evidence and deal with the claim promptly and fairly. I'd expect the insurer to provide reasonable information to their customer on the progress of the claim. However, I would not expect an insurer to make a decision on a claim until they had the opportunity to gather and review the relevant evidence, so long as the evidence is gathered and reviewed in a timely manner.

I've reviewed the case notes, calls and communications between Ms K and RSA, this has given me a good understanding of the timeline of events and communication between Ms K and RSA.

Ms K's address was flooded in May 2018. Building contractors commenced work in January 2019 and Ms K moved back in at the end of February 2019. This meant Ms K was out of her address for nine months in total.

I have considered what would have been a reasonable amount of time for Ms K's claim to have been dealt with by RSA. I think that the house could have been cleared of flood damaged contents and dried in one month. This would have taken us to late June 2018. We already know that the building contractors had planned to work for four months - from October 2018 to early February 2019 - making good the interior of the address. According to Ms K it only took the contractors two months from January 2019 to late February 2019. However, the time line proposed for those works seem reasonable. So, if the contractors started in late June 2018, this would then take us to late October 2018.

So, I think that if RSA had dealt with Ms K claim promptly and as I would have expected them to, Ms K would have been back in her address by late October 2018. Ms K wasn't back in her address until late February 2019, some four months later than I would have expected. Ms K and her pets spent four months longer than necessary at the rental address.

Did RSA act in good faith in the handling of Ms K's claim.

RSA said that they could not confirm to Ms K whether or not she was underinsured until all enquiries had been completed. They admitted that some items had been put into the inventory sheets twice and that this was down to human error. And was not done to engineer a situation whereby Ms K would breach the limit of her contents cover and therefore reduce the amount of cover she was entitled to. RSA removed the duplicated items as soon as they became aware and provided copies of all inventory sheets for transparency. In May 2019, they said they would not be applying any deductions for underinsurance in respect of Ms K's claim. RSA said that ascertaining the adequacy of the sums insured can be a challenging task given the extent of the items that ordinarily make up the sum insured.

I think that it's more likely than not that RSA did not double count in bad faith. I'm satisfied on the balance of probability that the double counting was a genuine human error and wasn't to engineer a situation whereby Ms K was underinsured.

Did RSA keep Ms K updated during the claims process?

Ms K has had several different loss adjusters deal with her claim. The handovers between loss adjusters were unannounced and unexplained. Ms K had in most cases discovered the change of loss adjuster herself when she phoned RSA for updates. I've already explained the issues that arose with the inventory sheets and establishing what contents had been destroyed and what had been salvaged. This task, as RSA have said themselves is a difficult one.

However, when the loss adjusters are repeatedly changed this makes the task more difficult, especially for the customer who in this case had to brief the new loss adjusters on each occasion. RSA in their case notes, are critical of their own loss adjusters handling of the claim. I'm glad that RSA have acknowledged this, and I'm satisfied that the lack of updates, consistency and ownership contributed to the delays and to Ms K's distress and inconvenience. I'm confident that if RSA had provided Ms K with regular updates on at least a weekly basis and notified her whenever a loss adjuster was changed, this would have provided a much more positive customer experience for Ms K. RSA's actions weren't sufficient and contributed to Ms K's distress and inconvenience.

Has RSA's handling of the claim caused Ms K unnecessary distress and inconvenience?

As I've said I think that Ms K was out of her address for four months longer than I would have expected. I'm satisfied that if RSA had progressed the claim as I would have expected them to this would have saved Ms K from a great deal of stress and anxiety. Ms K had to get too involved in the process to drive it forwards. RSA should have been doing this. Although, RSA have acknowledged that mistakes were made and that it wasn't progressed as promptly as it should have been, I don't think this goes far enough.

I don't think RSA acted in bad faith. I think that the delays were caused by insufficient resourcing, lack of planning and human error. However, I'm satisfied that the claim wasn't dealt with as promptly as it should have been. Ms K didn't receive any contents settlement until April 2019, by which time she was back in her home address.

Ms K said that the rental address was convenient for travel and she was reasonably content there, in that it was suitable for her and her pets. Ms K felt that RSA should have paid her some settlement on account so that she could purchase contents for the rental address and to allow her to purchase the white goods she required when she moved back into her home. I agree with Ms K and I think that RSA should have paid her some settlement on account. I don't think it was fair or reasonable to expect Ms K to use her own money to buy these items. This meant that Ms K had to use her own money and was without it until she was paid her settlement's by RSA in April and November 2019.

I also don't think that it was fair and reasonable for RSA to take 18 months to settle Ms K's claim in full. It took RSA around a year to confirm that Ms K wasn't underinsured. Whilst I accept that it is a difficult process to establish the exact cost of the contents and buildings claim, RSA are experts in this field, and it's not fair or reasonable to leave a customer in limbo for around a year worrying that they may be underinsured.

I have no reason to doubt Ms K's account of how the poor handling and progression of her claim caused her distress and inconvenience. And again, I am grateful to Ms K for taking the time to talk through her experience with me.

I think that RSA should pay Ms K £800 for the distress and inconvenience of being out of her home address for four months longer than was necessary, for having to use her own money to replace essential items and for the excessive amount of time it took RSA to settle Ms K claim and to confirm that she wasn't underinsured.

the response to my provisional decision

RSA have said that they have no further comments to add in relation to my provisional decision.

Ms K said that she wasn't discontent with my comments, but she raised a number of areas that she wished me to address, namely:

- The proposal that her level of cover could be reduced by the payments made to the recovery company, thereby rendering her underinsured.
- RSA based their assessment on an outdated and irrelevant policy document.
- The proposal that any payment to her for a cash settlement should be reduced by 20%.

Ms K has also raised other matters that relate to RSA's ethics and business practices. I will deal with those separately.

my findings

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

Ms K is unhappy that her cover could be reduced by the payments made to a recovery company, and thereby render her underinsured. Ms K said that she could not see how she could be liable for such costs which had never been discussed with her, over which she had no control.

Ms K has made a good point here. I have reviewed the policy documents and there is no provision whatsoever in the policy to clarify this matter. I'm glad that RSA have agreed that the cost related to clearing Ms K's property won't be taken out of Ms K's contents claim. Clearing the property bore no reflection to the contents sum insured and should not be used to reduce it. I'm glad that RSA have settled this matter in the manner I would have expected them to.

Ms K feels that RSA have based their assessment on an outdated and irrelevant policy. Her buildings have been insured by RSA for a number of years. The most relevant policy document is usually going to be the one that's dated closest to before the sale took place. When a customer has been with the same insurer for a number of years then there may be some confusion as to which policy document is relevant. If an insurer has sent a customer an updated policy document on renewal, then I would consider that updated policy document to be the relevant one.

RSA have now accepted that the relevant document was the Home Choice Insurance R00841L (02-18). This is the policy that Ms K rightly stated was the relevant policy. This policy does cover documents and deeds. I'm happy that RSA have now confirmed that Ms K was correct and that they had been referring to the wrong policy. I'm also happy that RSA have covered Ms K's documents, as these were specifically excluded by the older policy document, namely R00841E (05-13) which RSA initially presented to Ms K and our service as the relevant policy.

Ms K queried why any payment for a cash settlement should be reduced by 20%. I have reviewed the policy documents and there is no provision to reduce any cash settlement by 20%. However, the policy states: *when we agree to pay our customer a cash settlement, then payment will normally not exceed the amount we would have paid our preferred supplier.*

I would expect an insurer to put a consumer back in the position they were in prior to the damage or loss, or as near as it can. If the insurer chooses to settle the claim with a cash settlement, the amount of cash paid to the consumer should be enough to put them back in the position they were in before the loss or damage. Ms K is satisfied that the cash settlement provided by RSA is sufficient, so I'm happy that RSA have done what I would have expected them to do.

Based on everything that I've seen in response to my provisional decision, I see no reason to reach a different conclusion to the one I reached in my provisional decision.

As mentioned earlier, Ms K raised other matters that relate to RSA's ethics and business practices. These are wider issues that relate to the market. Ms K should raise these matters with the business or the regulator. These are not matters that this service can resolve.

my final decision

For the reasons I've explained above, I uphold Ms K's complaint.

I direct Royal & Sun Alliance Insurance Plc to pay Ms K £800* for her material distress and inconvenience.

*Royal & Sun Alliance Insurance Plc must pay the compensation within 28 days from when we tell it Ms K accepts my final decision. If it pays later than this, it must also pay interest at 8% simple a year on the compensation from the date of my final decision to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 25 March 2020.

Anthony Coyne
ombudsman