

complaint

Mrs F, in her capacity as company secretary of G, has complained about the way U K Insurance Limited ("UKI") handled and settled G's claim.

background

A claim was lodged for damage to a building. After five months the claim was accepted. However, UKI said that the building was underinsured and, therefore, that any claim settlement would be reduced. Initial repairs were completed once the building had been confirmed as stable. An estimate for the remaining repairs was submitted to UKI for its consideration.

As I understand it, UKI made the following settlement offers:

- £1,988.88 for the initial repairs (this was based on the cost of the repair, with a reduction for the underinsurance);
- £4,249.45 for the remaining repairs (this was based on the estimate provided and a few adjustments, with a reduction for the underinsurance, less the policy excess).

Mrs F was not happy with the offers. She felt the deduction made for the underinsurance was too much and she felt other costs – such as professional fees – should be included in the settlement. She was also unhappy with how the claim had been handled.

Our adjudicator concluded that the complaint should be upheld. In summary, he felt that the deduction made for the underinsurance was too much and that UKI should now settle the matter by paying the final account presented by G, with a much smaller reduction. He noted failings in the way the claim had been handled; however, he felt compensation already offered by UKI (£150) was sufficient to resolve this issue.

UKI did not respond. Mrs F's representative was broadly in agreement with our adjudicator's conclusions. However, he felt further compensation was warranted.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Our consideration of this complaint has been hampered by the fact that, despite several requests, UKI has not sent us its file. Further to this, as mentioned above, it has not responded substantively to our adjudicator's assessment of the complaint. Accordingly, I can only make my decision based on the information and evidence provided to us by Mrs F.

settlement

As I understand it, the only payment UKI has made in settlement of the claim is in respect of the initial repairs carried out. Nothing has been paid in respect of the additional repairs necessary or fees G has incurred.

As I have not seen a copy of the policy it is unclear precisely what it covers. However, most policies of this type cover the cost of repairing insured damage *as well as* necessary

professional fees that are incurred in order to repair that damage. Accordingly, I conclude it is most likely that the policy in force covers such costs.

The final account submitted by G includes investigation costs, repair costs and professional fees. On the whole, these costs seem fair and reasonable to me. UKI certainly has not provided anything to show that they aren't. I therefore conclude that UKI should settle the claim based on the final account G submitted (less the chartered surveyor's fee – which I will deal with separately below).

underinsurance

Some policies contain what is known as an *average* clause. This clause has the effect of reducing a claim settlement if a building is uninsured. A simple example is if the rebuilding cost was £100,000 but the building was only insured for £50,000, the insurer would only have to pay 50% of any claim.

I would normally only allow an insurer to reduce a claim settlement if it can demonstrate that the policy in force at the time contained an average clause. As UKI has not provided its file, I have been unable to check this. However, Mrs F has not disputed that the building was underinsured or that the claim settlement can be reduced. The issue concerns the amount of the deduction. I have therefore proceeded on the basis that the policy does contain an average clause.

UKI's view is that the building was only insured for 61% of the full rebuilding cost. Mrs F on the other hand considers that the building was insured for 82% of the rebuilding cost. The difference is due to each party's opinion on how much the rebuilding cost would be.

I have not seen any evidence which supports UKI's estimated rebuild cost. I have, however, seen evidence provided by a chartered surveyor on Mrs F's behalf which details a much lower rebuilding cost than UKI's estimate. As this is the only evidence I have seen, it is the only evidence I can take into account. And based on that evidence, the only conclusion I can reach is that the level of deduction proposed by UKI was unfair. I conclude that a fair deduction is 17.73%, as outlined in G's final account.

claim handling

Six months into the claim Mrs F complained about the way the claim was being handled and the delays that were occurring. UKI acknowledged the delays and offered £150 compensation. The claim settlement was still outstanding more than 18 months later when Mrs F referred her complaint to the Financial Ombudsman Service.

On the face of it, there is nothing technical or complicated about this claim which persuades me that it should take UKI so long to settle. I accept that a period of monitoring would be required to ascertain the degree of movement/stability; however, even allowing for that a maximum of 12 months seems to me to be more than enough time for this claim to be settled.

Of course, there may be something which could explain the delay. But as UKI has not presented any evidence or arguments I do not know of them. From what I can see, the claim has taken so long because the claim has been handled poorly by UKI and its appointed loss adjuster. Simple examples of this are the numerous delays in progressing matters and responding to Mrs F's representatives.

However, I do not have the power to punish UKI for poor claim handling. I can only award compensation to reflect the impact the poor handling had on G. And it is important to note – particularly given Mrs F's representative's submission about the inconvenience and loss of reputation experienced by G's director – that I can only consider the effect the handling had on G, not how it affected Mrs F or other individuals. And as a limited company, G cannot suffer pain or distress. And I am not persuaded that it was inconvenienced or suffered a loss of reputation.

Accordingly, whilst I conclude that UKI's overall handling of the claim was poor, in my judgement there are no grounds for me to award compensation for the effect this had on G.

Nevertheless, I can consider costs incurred by G because of the poor claim handling. I refer here to the cost incurred in appointing the chartered surveyor. Had UKI fairly assessed the level of underinsurance (which I have concluded it did not), appointing the surveyor would not have been necessary. I therefore consider it fair for these costs to be reimbursed.

my final decision

I uphold this complaint. I require U K Insurance Limited to:

- settle the claim by paying G:
 - an amount equal to its final account (less the chartered surveyor's fee)
 - less 17.73% for the underinsurance
 - less any amounts already paid in settlement of the claim
 - plus interest at a rate of 8% simple per annum (calculated from the date of loss); and
- reimburse G for the cost incurred in appointing the chartered surveyor to assess the level of underinsurance, plus interest at a rate of 8% simple per annum (calculated from the date G paid the surveyor's invoice).

I make no other award against U K Insurance Limited.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs F to accept or reject my decision before 3 March 2015.

Paul Daniel
ombudsman