

The complaint

Mr C has complained about how Covea Insurance plc (Covea) dealt with a claim under a block insurance policy.

What happened

Mr C's tenants complained about damp problems in a flat he owned. The tenants moved out due to the issues. Shortly afterwards, Mr C found the carpets were damp and found a leak coming from the shower. The leak also affected other properties in the block. The block management company contacted Covea to make a claim for the damage found, which affected four flats and the communal area.

Mr C complained to Covea about the progress of the claim, the claim for loss of rent and costs covered as part of the claim. When Covea replied, it said it had taken steps to progress the claim and said the damage to neighbours' properties had been concluded much earlier. It said it had taken 20 months to settle Mr C's claim. It accepted that during this period its loss adjuster had been responsible for eight months of delay and said Mr C had been responsible for seven months of delay. It agreed to pay 16 months loss of rent, which included a period after it made the settlement payment as Covid-19 restrictions prevented works taking place. It also offered £500 compensation for the delays and inconvenience caused by the loss adjuster. However, it said the policy didn't provide cover for Mr C's carpets or council tax and it would consider re-letting costs once these were incurred.

When Mr C contacted this service, our investigator upheld the complaint. He said Mr C was responsible for a few weeks of delays and so Covea should pay loss of rent for 23.5 months. He said Covea should also pay for the carpet because Mr C seemed to dispose of it on the advice of the loss adjuster.

As Covea didn't agree, the complaint was referred to me.

I issued my provisional decision on 25 April 2022. In my provisional decision, I explained the reasons why I was planning to uphold this complaint. I said:

This has clearly been a lengthy claim and there were a number of delays that contributed to this. Covea has accepted that its loss adjuster was responsible for eight months of delays, but said Mr C was responsible for seven months of delays. So, I've looked at whether that was reasonable.

I've focussed on the seven months of delay for which Covea said Mr C was responsible. It said the first period of delay was December 2018 to April 2019. In December 2018, the loss adjuster sent Mr C a report that described the strip out and drying requirements. Covea accepts the loss adjuster should have sent the report sooner and that this delayed the progress of the claim. Mr C replied to the email a few days later and asked the loss adjuster what action he needed to take. The loss adjuster replied the following day asking Mr C to forward his contractor's revised estimates and said he was checking if drying was required in Mr C's property. It was then the Christmas period. Early in the new year, the loss adjuster and Mr C then spoke to go through the scope of works for the strip out and Mr C said he

would arrange for his builder to visit. So, I can't see that Mr C was responsible for any delay on this issue up until this point. Mr C also seemed to think it was realistic to get his builder out shortly after the conversation, so I think it's fair to have expected him to provide the revised estimate by the end of January.

In early-February, the loss adjuster emailed Mr C to say the extent of the strip-out works had been approved and, again, asked Mr C to provide the revised estimate from his builder. Mr C replied and said he wasn't able to contact the builder and that he was far too busy to deal with this but that he would deal with it when he got back from holiday towards the end of February. Mr C then sent the loss adjuster an email in early March that said he was having problems getting the contractors to carry out the works and it would be about a month before they could start. He asked if that was acceptable or not. If I take Mr C's email as when he provided the loss adjuster with the required information, I currently think Mr C was responsible for about a month of delays here.

The loss adjuster then replied to Mr C's email and said:

"If you would prefer to stay with this contractor, I guess we will have to wait until they can start, although the longer it goes on the larger the loss of rent.

You may wish to go with another contractor?"

A short time later, the loss adjuster asked Mr C when the strip-out works would start and Mr C replied confirming what had previously been discussed. The loss adjuster and Mr C then seemed to speak on the phone and the loss adjuster made a note that Mr C was happy if the loss adjuster was able to arrange for another company to do the work sooner. Mr C emailed a few days later and said he had spoken to his contractors and they could now start in about two weeks, so Covea's contractor wouldn't be needed. He asked the loss adjuster to confirm this was acceptable. I didn't see a response to this email from the loss adjuster in the records provided to this service. At the beginning of May, a contractor working for Covea confirmed the strip-out works were complete.

So, I think the loss adjuster, in effect, agreed the timescales for the work to start were reasonable unless Mr C wanted to find another contractor. So, I don't currently think it was fair for Covea then to say it was unreasonable for the strip-out work to start when it did.

After the strip-out works were complete, drying started at the property. While that was ongoing, the loss adjuster told Mr C it would be a good idea to get his builder to firm up the scope and price of the works, as he was conscious this might have changed since the strip out phase was completed. He asked Mr C to submit the details. The drying company then seemed only to send the drying certificate to Mr C and it was only at the beginning of July that it confirmed to the loss adjuster the drying was complete. A couple of days later, the loss adjuster emailed Mr C to ask for an update on getting the repairs underway, including revised costs and the start date. About three weeks later, Mr C sent quotes for the works.

The loss adjuster replied about a week later and said he thought the costs were a bit high and he would carry out an analysis and be back in touch. A couple of days later, the loss adjuster emailed Mr C with queries about some of the items included in the works. Mr C replied to explain the costs. When the loss adjuster replied, he said some of the costs could be covered as part of the claim, but continued to query other items. The loss adjuster said he would be away until later in August and provided someone else's contact details for while he was away. Mr C contacted that person and discussions continued.

Covea seems to accept that delays were then caused by the loss adjuster not getting back to Mr C about the quotes. However, it said Mr C was responsible for the delays in July and

August. From what I've seen Mr C received the builders' quotes in mid-July and took about 10 days to pass them on to the loss adjuster. The quotes then needed some further discussion. I'm aware Mr C had already been asked for the quotes while the drying was ongoing, so I think he could have provided them sooner. If he had done so, I think some of those discussions could have taken place earlier.

But, I need to bear in mind the mistake about providing the drying certificate, which delayed the loss adjuster following up, and that the loss adjuster went on holiday in early August and, despite Mr C keeping up communication in his absence, the loss adjuster then didn't reply for some considerable time. So, I think Mr C was responsible for about a month of delays here because I think the quotes could have been provided earlier and the initial discussion could then have taken place sooner. But when the loss adjuster went on leave, despite Mr C trying to progress things, the claim then seemed to come to a halt. So, thinking about the delays overall during the claim, I currently think Mr C was responsible for two months of delays, which is the month from the end of January 2019 and a month in July 2019.

Mr C also seemed to want the loss of rent to be paid for the period he was advertising for new tenants. However, I haven't seen anything in the policy that would cover that period, so I don't currently intend to require Covea to pay loss of rent for that time.

As the claim took 20 months to deal with, I think the two months of delays I referred to above should be deducted from that period, which means Covea should pay loss of rent for 18 months for the period of the claim itself. Covea also agreed to pay a further three months loss of rent because of the Covid-19 restrictions in place at the time it made the settlement. I think that was a reasonable approach, so I also think it should pay that additional three months loss of rent. This means I currently intend to say Covea should pay a total of 21 months loss of rent. Covea can deduct any payments it has already paid for loss of rent from that amount, but any payment it still needs to make should have interest added to it because Mr C lost use of that money.

Mr C also wanted Covea to cover the cost of the carpet in his property. Looking at the policy, this only seemed to provide contents cover in communal areas and didn't provide cover for contents in individual properties. So, I don't think Mr C's carpet was covered as part of the claim. However, looking at what happened, the loss adjuster seemed to think the carpet would, or should, be covered under the claim and he seemed to be of this view for some time. When the loss adjuster told Mr C the carpet wouldn't be included in the claim, Mr C said this was different to what the loss adjuster had previously told him and that, had he known this, he would have tried to clean the carpet rather than replacing it. Based on what I've seen, I think it's more likely than not that the loss adjuster gave Mr C the impression that the carpet would be included in the claim and that he could dispose of it. I also think Mr C wouldn't have disposed of the carpet if he had been given the correct information from the start. So, I currently think Covea should pay the cost of replacing the carpet, as I think Mr C disposed of it because he was given misleading information by the loss adjuster. If Mr C has already paid for the carpet to be replaced, Covea should pay interest on this amount, as Mr C lost use of the money.

Mr C also said he thought the letting fees should be covered. In its response to Mr C's complaint, Covea said it would consider these costs once they were incurred. I think that was a reasonable response and it is for Mr C to provide Covea with evidence of those costs if he hasn't done so already. Mr C also wanted the council tax paid. Looking at the policy, I can't see that this was covered by the policy, including under the loss of rent section, so I don't think Covea needs to cover this cost. Mr C also wanted electricity costs to be covered. Covea provided evidence to this service of a payment that it made for electricity charges. If Mr C is unhappy with the amount paid for the electricity, he should raise this with Covea in the first instance.

I've also looked at the service provided by Covea. It accepts that the loss adjuster provided a poor level of service, including sometimes not responding for lengthy periods of time, which seemed to significantly delay the claim. Covea offered £500 compensation. Looking at everything that happened, I think that was reasonable in the circumstances and I don't intend to require Covea to pay anything further. However, it should ensure it pays the compensation if it hasn't done so already.

I asked both parties to send me any more information or evidence they wanted me to look at by 23 May 2022.

When Mr C replied, he accepted that some of the delays were his responsibility. However, he tended to disagree that a month was lost due to a delay in supplying the quotes. He confirmed the date he had received the last quote and when he then forwarded them all on. Mr C also said he didn't receive the drying certificate until July 2019.

Mr C also couldn't find any emails where the loss adjuster had requested him to get a breakdown of costs before July 2019. Mr C said that as he hadn't provided any quotes before July 2019, he couldn't understand why the loss adjuster would have asked him to firm up the scope and price of works before this. In terms of loss of rent, Mr C said he thought it was reasonable for the wording to be interpreted as covering the period for which a property was advertised, as all the loss of rent was the result of the damage.

Covea accepted the loss of rent at 21 months and confirmed it had already paid the £500 compensation. However, it disputed that Mr C should have benefit under the block policy for his carpet. It said that had the carpet not been disposed of he would have had to clean it himself. It proposed that £200 be deducted from the settlement for the carpet to account for this.

What I've decided – and why

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

Having done so, I've decided to uphold this complaint and for the reasons given in my provisional decision. As part of that, I've considered the comments from both parties, but this hasn't caused me to change my view on how this complaint should be settled.

Mr C has said he didn't receive the drying certificate until July 2019. Whether or not Mr C was provided with the certificate for the first time in July 2019 or earlier, the contractor should still have given it to the loss adjuster sooner than it was so that the claim could progress. Mr C has also disagreed that he was responsible for any delay in providing the quotes. Although Mr C wasn't sure why the loss adjuster would have asked him to firm up the quotes before July 2019, I've checked the records again and, from what I've seen, the loss adjuster did so. Mr C also explained that he passed the quotes on promptly when he received the final quote. I've looked again at the date on which Mr C passed on the quotes to the loss adjuster and I can see he passed these on shortly after he received the final quote.

Mr C has also said Covea should pay loss of rent for the period the property was advertised. Covea allowed time for the works to be completed as part of its settlement for the loss of rent. But, I haven't see anything that persuades me that it was responsible for when the property was advertised or how long it took Mr C took to find tenants and so should pay for loss of rent for this period.

So, I've looked again at the calculation for the loss of rent. This includes the length of the claim overall, who was responsible for any delays, when the quotes were provided and the additional payment Covea already offered due to Covid-19 restrictions. I remain of the view that it's fair and reasonable to Covea to pay for 21 months loss of rent.

Covea has also said that it doesn't think it should have a liability for the carpet under the terms of the policy. However, the reason I've said Covea should pay for the carpet is because Mr C disposed of it as the result of incorrect advice given to him by the loss adjuster. Covea has also said a £200 deduction should be made for the amount it would have cost to clean the carpet. I don't know what it would have cost Mr C to clean the carpet and I can think of some scenarios where it would have been free. But any such scenario and the cost attached to it is hypothetical. Mr C didn't clean the carpet, he disposed of it. From what I've seen, this was because of what he was told by the loss adjuster. As a result, Mr C had to buy a new carpet. So, I remain of the view that Covea needs to pay to replace the carpet and to do so without deductions being made from it.

Putting things right

Covea should pay a total of 21 months loss of rent and the cost of replacing the carpet. It should pay interest on these amounts. It should also pay £500 compensation. I'm aware Covea has said it has already paid this.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint. I require Covea Insurance plc to:

- Pay a total of 21 months loss of rent. It may deduct any payments it has already made for loss of rent from the total amount now payable.
- Pay 8% simple interest on any loss of rent payment still to be made from 24 August 2018 to the date on which payment is made.
- Pay the cost to Mr C of replacing the carpet, subject to him providing suitable evidence to Covea Insurance plc of the amount.
- If Mr C has paid the carpet invoice, pay 8% simple interest on that amount from the date on which Mr C paid the invoice to the date on which it makes the payment, subject to Mr C providing suitable evidence of the date on which he paid the invoice.
- If Covea Insurance plc considers that it's required by HM Revenue & Customs to deduct income tax from the interest, it should tell Mr C how much it's taken off. It should also give Mr C a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.
- Pay the £500 compensation it previously offered, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 June 2022.

Louise O'Sullivan
Ombudsman