

## **The complaint**

Mr and Mrs D complain about how Accredited Insurance (Europe) Ltd (“Accredited”) handled a claim they made on their home insurance policy following an escape of water.

Accredited is the underwriter of this policy, i.e. the insurer. Part of this complaint concerns the actions of its agents. Since Accredited accept it is accountable for the actions of the agents, in my decision, any reference to Accredited includes the actions of the agents.

The insurance policy is in both Mr and Mrs D’s name but for ease of reading I’ll refer to Mr D since he is the one who brought the complaint.

## **What happened**

The details of this complaint are well known to both parties, so I won’t repeat them again in any detail here. Instead I’ll focus on the areas which remain in dispute, and which are key to delivering a fair and reasonable outcome.

To briefly summarise, in August 2021 Mr D reported a leak to his insurer. He says after several months the source of the leak was identified in the swimming pool; after six different plumbers attended.

12 months after the initial claim was made and following the lifting of the swimming pool floor and months of no communication or updates, Mr D says Accredited wrote to him to say it wasn’t covering the full cost of the reinstatement works. It said this was because Mr D had misrepresented the value of the rebuild costs when taking the policy out. This part of Mr D’s complaint has been dealt with previously so won’t form part of this decision.

Accredited has already paid towards some of the costs of the reinstatement works. But the issue of the underinsurance and total settlement remains in dispute. So Mr D brought a second complaint.

Mr D says the majority of the £75,000 already paid was spent on debris removal and professional fees as per the policy wording, and so shouldn’t form part of the overall building settlement. Mr D has queried the final settlement amount. And with regards to the underinsurance value; Mr D says the difference between the surveyor valuations is too great for anyone to agree a figure. He says the majority of valuations are around £3m and the report that calculates the rebuild costs at £6.3m should be discounted. Mr D asked that Accredited consider an amount for disturbance allowance for the time he and his family have been living at home with the damage. Mr D has also raised the issue of estoppel; he says this means because Accredited started the reinstatement works it can’t now renege on that.

Mr D thinks a fair outcome would be since he is 50% under insured, he should receive 50% of the £200,000 reinstatement works, which would mean settlement of £100,000. Mr D also wants Accredited to pay him a disturbance allowance for the time he and his family have been living in the home with the damage.

Accredited said it would accept that the building 'sum insured' doesn't need to include anything for fees given the discrepancy between the policy wording and statement of fact. It explained that the policy wording states 'up to' an additional 25% of the sum insured for fees; this is a cap on fees in addition to any payment on buildings. Accredited clarified the clause doesn't uplift the declared rebuild value by 25%. So in Mr D's case the sum insured was £1.5m and so it would pay up to £375,000 for fees subject to the terms of the policy; based on the 2021/2022 policy period. Accredited said all five experts agreed the property was underinsured so it was fair to use an average of the report's figures. Accredited didn't agree £75,000 already paid to Mr D were 'fees' as covered by the 25% clause. It said fees are considered part of the normal repair/reinstatement costs; and the deduction for misrepresentation also applies to professional fees.

Mr D wasn't happy so referred his complaint to this service. One of our investigators looked into things for him. She said Accredited need to calculate a final settlement in line with the average adjustment clause stated in their policy wording. She said Accredited also needed to consider the 25% clause alongside the final settlement figure. So the complaint was upheld.

Accredited didn't agree with the investigator's outcome. It said it would offer Mr D £500 disturbance allowance taking into account the main parts of the house were accessible throughout the period of investigation work; which was confined to the basement.

Mr D declared the sum insured to be £1.5m which generated a premium of £1,350. But Accredited say the sum insured should have been £5m giving a policy premium of around £4,000. So Mr D had only paid 33.69% of the full premium, meaning Accredited are liable for 33.69% of the project value of £190,000. This means Accredited would be liable for £65,024. Accredited has already paid £63,552 not including surveyor fees and loss adjustor fees. So Accredited said it has attempted to achieve a negotiated settlement in the matter.

As a result of the information provided by Accredited our investigator reviewed the matter again. She said Accredited applied the average clause to work out the average adjustment to settle the claim which was in line with the terms of the policy. Accredited also confirmed it would consider the impact of the 25% clause with regards to payments already made. And she said Accredited offered a fair offer for the disturbance allowance, and so she wouldn't be upholding the complaint.

Because Mr D didn't agree the complaint has come to me to decide.

### **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.

Our service assess complaints independently within a fair and reasonable remit – we don't act for either a consumer or a business. And I want to assure Mr D and Accredited that in considering this complaint I've thought very carefully about what happened here.

There is a lot of information about the claim Mr D has made, and I've looked through everything provided. I'll comment on any relevant evidence where appropriate to explain my decision. It is not my intention to minimise the effect the claim has had on Mr D. I recognise the impact the matter has had on him and I empathise with the difficulties he's faced.

#### *Rebuild valuation*

Mr D says the highest rebuild valuation should not be taken into account as the report is inaccurate. He says the most accurate reports are the surveys that value the rebuild at around £3m. One is approximately £3.4m which includes professional fees. So Mr D has deducted 25% from the valuation which equals around £2.6m. He says the other survey, which values the rebuild at approximately £3.3m should also be used to calculate the average rebuild valuation.

In doing so, the average rebuild valuation would be approximately £2.9m. Mr D says he declared the sum insured as £1.5m and so using these figures he is 49.69% insured. He says this equates to a minimum of approximately £97,000 in settlement of the claim, which does not include any disturbance allowance.

Mr D says consideration should also be given to the actual build cost of his home of £1.6m which falls in line with the more realistic figures detailed above. But I don't agree. The build cost of £1.6m is for the cost of building the property over ten years ago, so I don't think it represents an accurate or relevant cost of rebuilding the property now.

I think Accredited has tried to be fair to Mr D in agreeing to instruct a number of surveyors to assess the likely rebuild costs of the property. And Mr D obtained his own evidence that Accredited has had sight of.

I know Mr D says the report that placed the sum insured at £6.3m should be discounted given its much higher than the other reports. Having considered the reports carefully I'm more persuaded by the highest sum insured report. Particularly because that report reflects the scope of the risk, the additional works undertaken by the insured, the size, general logistics, and high quality and finish of the build. The surveyor attended the property and so I'm satisfied Accredited have acted fairly in including this report in its calculation.

I note Accredited hasn't discounted the reports that calculate the sum insured at a much lower value, and these have been included in its rebuild valuation. I think Accredited could have reasonably excluded those reports given the rates used don't match the specification of the property. Mr D has benefitted from the lower value reports being included in working out the average.

Mr D didn't declare the correct sum insured when he took out the policy, and so I think it's fair for Accredited to use the reports it has to calculate the average to be used for the sum insured.

#### *Fees – 25% of the sum insured*

Mr D's policy says the insurer will pay up to a further 25% of the sum insured for fees. Accredited explained this is a cap on fees that is in addition to any payments made on the buildings policy.

The clause doesn't mean an automatic uplift on the declared rebuild value of the home by 25%. So here Accredited would pay a maximum of £1.5m for the building repair/reinstatement costs in line with the terms of the policy, and up to £375,000 for fees subject to the terms, conditions, and exclusions. The fees are also subject to the reduction for underinsurance.

Mr D says that most of the settlement already paid by Accredited should be discounted from the overall settlement since it amounts to 'fees' for the purposes of the claim. He says the cost of fees and debris removal accounted for most of the settlement already paid. I have considered Mr D's argument carefully. But I don't agree.

Accredited say around £55,000 has been paid directly to Mr D's own contractors, another £7,000 has been paid for the drying and cleaning-up company, and a further £1,500 paid to the leak detection company. And this totals approximately £64,000 paid to Mr D for repair/reinstatement costs under the terms of the policy.

Approximately £12,000 has been paid to surveyors which are professional fees, and around £2,000 paid to the adjustors appointed by Accredited. And so these don't form part of the settlement calculation.

Accredited explained debris removal is an additional cover for removal and disposal of main structures, e.g. walls, in the event of total or partial destruction of buildings, and so aren't relevant here.

### *Cost of repairs*

Mr D has said repairs cost around £280,000 but that doesn't appear in line with what Accredited believe the repair costs should be. I'm not making a finding on what Accredited should contribute here. Instead I've set out how I think the claim should be settled.

### *Disturbance allowance*

Accredited have offered to pay Mr D a disturbance allowance of £500 on the basis the main part of the house was accessible since the investigation works were confined to the basement.

Mr D doesn't agree and says the length of time the claim has been going on for, and Accredited's refusal to pay anything towards the reinstatement costs should be factored into the amount of disturbance allowance paid. But that isn't what disturbance allowance is for, it isn't compensation for disturbance or inconvenience. It is compensation for the *actual* extra costs incurred by remaining in the home for example, extra food expenses, travel expenses, or laundry fees.

The leak to Mr D's home was confined to the basement area so his kitchen, bathroom, bedrooms, and other areas of the home were unaffected. So I'm not persuaded such extra costs have been incurred as a result of the ongoing investigation works and therefore I don't intend to ask Accredited to increase their offer.

### *Estoppel*

Mr D has raised the matter of estoppel. Since Accredited lifted his floor and then didn't continue with the work because of the underinsurance. Having considered this I agree with the investigator. It doesn't apply here. The nature of a claim is that things can change as it progresses, which is what's happened here. Accredited is only responsible for the costs of repairing Mr D's home within the terms of the policy. And when it became aware the property was underinsured it took steps to look into this further and ensure they were only paying out what they were liable to.

### *Mr D's calculations*

Mr D has said the following calculation should apply;

*Total claim cost* £281,312.12 x 0.3477 = £97, 812.22.

*Mr D has been paid* £72,302.72 which leaves a balance of £25,509.50 that's owed to him, and this doesn't include the 25% uplift element.

I understand why Mr D believes this calculation should apply here. After careful consideration I'm sorry to say I don't agree. The total claim cost has yet to be agreed from the evidence I've seen. Further, the calculation for the underinsurance is based on the sum insured which has been in dispute thus far. With regards to the 25% uplift – I have addressed this aspect above.

### *Conclusion*

Accredited has already covered some costs of the claim including offering a disturbance allowance. I think Accredited has tried to be fair in assisting Mr D. But it doesn't have a never-ending liability to him or this claim. And so I think it's appropriate to now bring this matter to an end and settle thing fairly as I've set out above.

I accept this leaves Mr D in a very difficult position. But having considered everything I don't think Accredited has acted unfairly or unreasonably. I'm satisfied Accredited has assessed the claim fairly. It considered the points Mr D raised and the evidence provided against the policy terms to reach a decision about how to handle the claim. So, it follows that I'm unable to uphold Mr D's complaint.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 6 June 2024.

Kiran Clair  
**Ombudsman**