

The complaint

Mr I is unhappy with the service provided by HDI Global Specialty SE (HDI) following a claim on his home insurance policy.

HDI is the underwriter of this policy. Part of this complaint concerns the actions of the agents involved in the claim. HDI has accepted it is accountable for the actions of agents involved in the claim. In my decision, any reference to a company instructed during the claims process, includes HDI.

What happened

Mr I held a home insurance policy with HDI which provided cover in the event of an escape of water. The policy terms for alternative accommodation explained:

1. Alternative Accommodation and Loss of Rent.

If your home is uninhabitable due to damage insured by Section 1 – Buildings we will pay:

- the cost of similar alternative accommodation for you, your family and your pets;*
- rent which should have been paid to you;*
- ground rent which you have to pay.*

The most we will pay is £30,000.

In December 2022 Mr I's home was caused substantial damage following an escape of water. Mr I noticed the escape of water after being away for two weeks on a business trip. Following notification of the claim to HDI, HDI arranged for a third party (company C) to assess the claim.

Company C informed Mr I that it would need to determine whether the policy terms had been met before Mr I's claim could progress. Specifically in respect of 'occupancy,' and 'business use.' Mr I checked into a hotel on 4 February. HDI agreed to cover this cost from 4- 20 February. Company C also advised HDI that due to the cost of a hotel, it would be more economical for Mr I to move into a short term rental property.

On 21 February HDI confirmed to company C that the 'business use' terms had had been met. Company C asked Mr I for further evidence to support that the 'occupancy' terms of his policy had been met.

On 2 March HDI hadn't received the additional evidence needed from Mr I. Company C wrote to Mr I advising *'It is therefore not cost effective for you to remain in hotel accommodation as your policy limit will soon be exhausted. In view of this, please provide the information we have requested at your earliest convenience.'*

Mr I provided the evidence needed. Around the same time HDI confirmed the evidence met with the policy terms, and the claim could continue. On the same date Mr I was informed

'Regarding the alternative accommodation, I have cut and pasted the section of your policy wording where it states the maximum insurers will pay is £30,000. I felt I needed to bring this to your attention as the hotel costs are not economical and the limit will soon be exhausted... the market is moving so quickly, [we are] unable to search for properties until a few days before you return to [from work] as they are being snapped up. The average price of similar properties to yours in the area appears to be £1,500 per month. With that in mind, [it is] suggested that we agree a cash settlement of £9,000 representing 6 months rent, for you to source your own accommodation. Please can you let me know if this would be acceptable.'

Whilst searching for a suitable rental property, Mr I continued to stay in hotels chosen by himself, and with costs approved by HDI. On one occasion, this also included his mother staying with him. Mr I explained she often visits so needed an extra room. Mr I was informed this wouldn't be covered in future. On 14 March Mr I was informed *'I am also afraid that the £30k alternative accommodation policy limit will be exhausted if hotel accommodation continues. I have asked [company A] to see if there is a more economical hotel available that would be acceptable to you.'*

On 16 March company C sent a representative to complete a site visit of Mr I's home. It was agreed that a surveyor would be instructed to provide a schedule of works to repair damage caused by the escape of water. This was agreed for 22 March.

On 17 March it was discussed with Mr I that it would be more economical in the short term (while waiting for a suitable rental property) for him to continue with hotel stays on occasional weekends when needed, rather than a short term let which would require payment for a minimum of a 7 day stay (despite then only being used for a few days in the week). Mr I advised he would be staying in another city in late March.

On 20 March HDI agreed to *'fund [Mr I's] train fare and £10 daily accommodation allowance for the period 25 March until 1 / 2 April.'*

On 22 March Mr I contacted company C to seek help with negotiations for an apartment he had found. Company C advised *'I can ask for [HDI] to make an up-front payment to you of £12,000 so you can liaise with the landlord for 6 months. Insurers will be paying the bills at your house for the fuel used for drying and repairs. You will need to pay the cost of gas, water, electric etc at the rental. Additional Council Tax charges will come from the Alternative Accommodation pot.'*

Mr I and HDI continued discussion of an apartment Mr I has found. Mr I advised *'...please could you let me know that we can proceed with an 8 month contract as well as letting me know how quickly funds could be transferred. There would also be a holding deposit consider.'* On 24 March Mr I was informed *'The hotel costs approved to date are in the region of £15,000 until 16 April 2023. I am therefore unable to approve 8 months rented accommodation at this time as it will take you over your £30,000 limit.'*

On 27 March company C informed Mr I *'I can ask for an interim payment of £16,000 to be released to you, plus fees etc when you get back to me with the figures.'* Mr I asked when the transfer would be made because he was looking to move in on 3 April. On 29 March, a payment for £16,486 was processed.

Throughout April Mr I and HDI remained in contact discussing stripping and drying of Mr I's home through company R. On 19 April company C arranged for Mr I's contents to be stored off site ready for strip out works to complete. On 26 April, a surveyor attended to prepare a strip out schedule of works. Mr I attempted to contact the surveyor to ask for a schedule of works so that he could contact his own builders to provide an estimate. Mr I was unhappy with the initial scope for strip out, and provided additional comments for consideration.

On 4 May company C approved strip out costs for this work to commence. Company C also chased for a schedule of works from the surveyor to provide to Mr I. On 9 May Mr I complained about the time it was taking to progress his claim, and specifically *'regarding the accommodation budget, the length of time it will take to do the work and what will happen if the work isn't completed and by the time my rental agreement has ended.'*

On 15 May the surveyor provided a schedule of works to company C, and this was shared with Mr I. Mr I said he had additional comments on the schedule, and what it included. Mr I also asked for an additional two month's rent, to cover November and December, so that he could extend his tenancy agreement, which was due to end in October. Mr I was informed that the £16,000 paid to him represented eight month's rent. Mr I disputed this, saying he had not been told what the £16,000 represented, and he had used the payment to cover the cost of a six month tenancy, and for utilities and other expenses incurred for moving into the rental property.

On 22 May HDI responded to Mr I's complaint apologising for the delay in progressing his claim. HDI offered £200 in recognition of parts of the claim that could've been better handled. Mr I was unhappy with HDI's response, and so asked this service to consider his complaint. Mr I was particularly concerned with the mismanagement of the alternative accommodation part of his policy, and the impact of his policy limit being exceeded.

During our investigation Mr I continued to discuss the policy limit with HDI. Mr I's rental agreement was due to end in October. As part of its offer to put things right, HDI offered to cover Mr I's rent for an additional four months, covering the period November 2023 to April 2024. Mr I accepted this offer in settlement of the alternative accommodation part of his complaint. But Mr I said he remained concerned with the trouble and upset caused to him by HDI's handling of his claim, including the delays, and lack of clarity in explaining and applying the policy limit for alternative accommodation.

The investigator found that HDI had caused delays in the progression of Mr I's claim, and this had resulted in Mr I continually chasing all third parties involved for an update. Because of the impact on Mr I, the investigator recommended HDI pay Mr I an additional £300- bringing total compensation to £500 for the poor handling of Mr I's claim. The investigator also explained that Mr I had been provided with sufficient information about the policy limit for alternative accommodation, and so didn't ask HDI to pay any further compensation in respect of this complaint. The investigator explained HDI had agreed to cover alternative accommodation costs outside of this policy limit, and its offer was reasonable.

HDI accepted the investigator's findings. Mr I didn't agree with the investigator's findings. As the complaint couldn't be resolved it has been passed to me for decision.

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.

I'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that's happened or been argued is set out above, I've read and considered everything that's been provided.

Communication about alternative accommodation

When considering a complaint about alternative accommodation, it is accepted that the exercise of finding suitable alternative accommodation is both challenging and highly

emotive. I understand Mr I was in a difficult position as he was trying to sort out his claim with HDI, whilst balancing a demanding job that required lots of travel. I've looked at the actions taken by HDI to support Mr I with the process of finding alternative accommodation.

I've seen that when searching for alternative accommodation for Mr I, there were several factors which complicated this process. Mr I was regularly away for business purposes. So short term lets on the market were not always available to view when needed. It was also apparent that Mr I only required accommodation on an irregular, ad-hoc basis. So he didn't need accommodation to provide for somewhere to stay 7 days a week- as he was often away on business.

Because of the nature of Mr I's job, and the evolving property market, I can see why there were difficulties in finding Mr I suitable alternative accommodation. I think HDI could've done more to look for suitable properties, but I think the process would've always been driven by Mr I's availability to view them- which was limited. I note that when a tenancy agreement was agreed in April, this happened because of Mr I's own enquiries. But I don't think this makes HDI's service unreasonable. I think HDI's efforts to find alternative accommodation for Mr I were fair in light of Mr I's circumstances.

The crux of Mr I's complaint concerns the payment of £16,486 (£486 representing the holding deposit) made to him in March 2023. Mr I feels strongly that this payment was to cover the tenancy agreement that he had negotiated for six months, plus utilities and other expenses incurred for moving into the rental property. HDI maintain that it was made clear to Mr I from earlier communication that £16,000 of the payment represented eight month's rent payment only. This was on the basis that Mr I had previously advised he had found a property on the market for £2,000 a month.

I've carefully considered the evidence showing the communication between Mr I and HDI regarding the payment for £16,000, and for what this was intended. And I think the conversations leading up to this payment being made, did make it clear that this amount was being paid to reflect Mr I's monthly rental costs only.

At the time of HDI agreeing to cover Mr I's claim, on 6 March, HDI had proposed a cash settlement of the alternative accommodation aspect of the claim. Mr I was informed '*The average price of similar properties to yours in the area appears to be £1,500 per month. With that in mind, [it is] suggested that we agree a cash settlement of £9,000 representing 6 months rent, for you to source your own accommodation.*' I'm satisfied Mr I was made aware at this time that cash settlement would be in reflection of the cost of monthly rent only.

Later in the claim Mr I advised he had found a property at a cost of £2,000 a month. On 22 March, Mr I was further informed '*I can ask for [HDI] to make an up-front payment to you of £12,000 so you can liaise with the landlord for 6 months.*' I'm satisfied this communication also made it clear that the payment being proposed would be in direct settlement of rent payable under a six month tenancy agreement.

I have seen that there was further communication between Mr I and HDI in the lead up to the payment of £16,486 being processed on 29 March. Although HDI's notes makes it clear that it understood this payment being made on the basis that it was to cover the cost of eight month's rent and the holding deposit, I haven't seen any evidence of this being clearly communicated directly to Mr I. So I can see Mr I's point about the lack of clarity in explaining how this payment should be used. But I am satisfied that the conversations leading to 29 March, did make it clear what any payment from HDI would cover.

In HDI's email of 22 March 2023 Mr I was informed '*Insurers will be paying the bills at your house for the fuel used for drying and repairs. You will need to pay the cost of gas, water,*

electric etc at the rental. Additional Council Tax charges will come from the Alternative Accommodation pot. Mr I was informed that he would be responsible for the cost of 'gas, water, electric etc at the rental.' So the payment of £16,486 wouldn't have included any of these costs. I don't think it was reasonable for Mr I to have used any of the £16,000 paid to him to pay for 'gas, water, electric etc at the rental', as he had already been told that this wouldn't be covered. Mr I's emails to HDI specifically requested agreement to a tenancy covering eight months- not six. This further persuades me that the intention of the payment from HDI was to cover eight month's rent (as requested by Mr I), and the holding deposit.

I have seen that in settlement of Mr I's complaint, HDI agreed to cover Mr I's rent for an additional four months, covering the period from November 2023 to April 2024. I'm satisfied this offer to put things right is reasonable. I'm persuaded Mr I was informed of the policy limit during numerous emails sent to him, and he was also told what payment from the alternative accommodation part of his policy would not cover. So whilst I can appreciate Mr I used part of the £16,000 for expenses other than to cover the cost of his monthly rent, I'm satisfied HDI made it clear what the alternative accommodation part of the policy wouldn't pay for.

Unlike the cost of alternative accommodation, other costs aren't usually specifically covered under most home insurance policies. It's fair and good industry practice for an insurer to cover the 'reasonable additional' costs a consumer has incurred. HDI has informed this service that outside of the £30,000 limit, prior to this policy limit being reached, it also paid for other costs incurred- including parking costs, disturbance allowances, and internet usage costs. I'm satisfied HDI's exclusion of 'gas, water, electric etc at the rental' is fair, and in line with what Mr I was told during the claims process.

I appreciate that this will come as a great disappointment to Mr I. But from the evidence I've seen I'm persuaded that whilst Mr I may have had reason to believe that the £16,000 payment could be used for all costs he considered reasonable for the purposes of moving to alternative accommodation, I'm satisfied that previous communication about this payment made it reasonably clear what it's intended purpose was- and specifically, what it wouldn't cover. So although I am empathetic to the trouble and stress caused to Mr I, I won't be asking HDI to pay additional compensation for the upset caused to Mr I. I'm satisfied the steps taken by HDI to explain and apply the policy limit were reasonable in the circumstances. And the payments made to Mr I have been fair. Mr I has benefitted from cover outside of the policy terms. So I won't be asking HDI to do anything more in settlement of this part of his complaint.

Delay in dealing with the claim

Mr I is unhappy with the long periods of delay in dealing with his claim. Mr I has also referenced several occasions where he tried to call company C, and other third parties dealing with his claim, but didn't receive an acknowledgement, or call back.

I've seen that following notification of the escape of water incident, it was a month before Mr I was contacted to discuss next steps for his claim. Mr I tried to chase HDI for an update during this time. I've considered the time of year (Christmas and bank holidays) when thinking about what fair compensation should look like for this initial delay. Following the site visit, I've seen that the claim itself was placed on hold, pending an investigation by HDI on whether the policy terms had been met. I appreciate this caused stress and inconvenience to Mr I, and he feels strongly that this added unnecessary delay to his claim. However, I'm satisfied that the actions taken by HDI were reasonable, and in line with what we'd expect. Once HDI received the information it needed from Mr I, Mr I was informed right away that the claim could continue. Mr I was informed of HDI's decision on 6 March.

From March 2023, I've seen that HDI and Mr I were in communication about finding alternative accommodation for Mr I. However during these discussions, there was slow progression of Mr I's claim. I note a site visit was completed, and a surveyor instructed shortly afterwards. But there doesn't seem to be any material movement on the claim. From April 2023 I've seen that despite company C chasing other third parties instructed on the claim (including company R and the surveyor), there were delays in confirming a start date for the strip out work to begin, and sending Mr C a copy of the schedule of works, which he chased company C for on several occasions.

At the time of issuing a final response to Mr C's complaint on 22 May, Mr I was informed '*The strip-out work is imminent and the schedule of repair has been provided to you for approval.*' However I'm persuaded there was a delay in these events happening, which resulted in Mr I continually chasing company C, and the third parties, for updates. This caused Mr I undue stress and upset to what was already a very challenging period. I think it's fair that HDI pay compensation to reflect the upset caused because of these delays.

From May 2023 I've seen HDI did take positive steps to try and move Mr I's claim forward. I note there were discussions around what would, and would not be, included the schedule of works that HDI would cover, and that this formed part of on-going negotiations between Mr I and HDI. I note Mr I was also in discussion with his own contractors about remedial work he wanted to do outside of what the policy would cover. This isn't unusual, but it did mean the claim couldn't move forward, as all parties needed clarity on the scope, and what HDI would offer settlement for. Mr I also advised he wouldn't be further engaging with HDI about the outstanding remedial work required until he'd received a satisfactory response to his complaint about the alternative accommodation policy limit, and specifically, whether HDI would be covering additional costs. Mr I's response, although understandable, also meant that the claim couldn't move forward as expected.

When thinking about delays in dealing with the claim, I'm persuaded there were parts of the claim that could've been better managed. There were periods of little communication between the parties instructed, resulting in Mr I being told different things by the specialists appointed on the claim- from the surveyor to the claims handler. There were also delays on the claim which could've been avoided. This includes when the third parties instructed on the claim didn't complete actions as efficiently as we'd expect, such as the delay in completing the schedule of works. It's not disputed that a claim of this type, involving a large scope and costs, can be subject to delays because of the level of scrutiny required to ensure decisions are in line with the policy terms.

But I also accept that there were delays on the claim, particularly when HDI was waiting for additional evidence from Mr I to confirm that the policy terms had been met, which were outside of its control. Before paying a claim, we'd expect an insurer to complete a thorough investigation, and be confident that the policy terms have been met. So, although frustrating for Mr I, HDI's request for additional evidence before progressing the claim was reasonable, and in line with what we'd expect.

When thinking about the impact on Mr I because of HDI's poor service, I think £500 is broadly in line with what we'd recommend in the circumstances. I think this recognises the impact on Mr I because what went wrong with the handling of the claim, but also that I don't think HDI is solely responsible for the upset caused by the policy limit for alternative accommodation being exceeded. For the reasons explained, I won't be asking HDI to pay more than what's already been recommended.

Putting things right

Mr I has already received £200 in settlement of his complaint. HDI Global Specialty SE must pay £300 to Mr I- bringing total compensation to £500.

My final decision

For the reasons provided I uphold this complaint. HDI Global Specialty SE must follow my directions above.

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

Neeta Karelia
Ombudsman