

The complaint

Mr V complains Great Lakes Insurance SE settled his buildings insurance claim unfairly.

Great Lakes' been represented by an agent for the claim and complaint. For simplicity I've referred to the agent's actions as being Great Lakes' own. For the same reason I've referred to Mr V's representative's actions and comments as being his own.

What happened

In September 2022 Mr V made a claim against his Great Lakes landlord insurance policy. His property had been severely damaged by fire. The claim was accepted.

The policy had a Buildings Sum Insured (BSI) of £296,563. Early in the claim Great Lakes' loss adjuster (LA) assessed its adequacy. It found it to be slightly, but not significantly, below its estimated £310,000 rebuild cost.

Three contractors provided quotes for reinstatement. The lowest, at £321,000 (including VAT) was approved. Additional costs (including professional fees and emergency scaffolding) took the total to around £397,000. Great Lakes authorised the lowest. Mr V signed a contract with the contractor, 'F'.

A few weeks later, as claim costs were exceeding the BSI, Great Lakes commissioned a further assessment of its adequacy. A surveyor, S, calculated an estimated total reinstatement cost of £440,800. In response Great Lakes applied a policy averaging clause to settle the claim at a maximum liability of £267,279. It said it would settle the claim by paying Mr V that amount minus claim costs already incurred.

Mr V complained about that decision. He felt his position had been prejudiced as he had already signed a contract with F. He also said scaffolding, arranged by Great Lakes, wasn't fit for purpose so its excessive cost shouldn't be deducted from his settlement.

After some back and forth Great Lakes withdrew the averaging based proportionate settlement. It said it would still limit its liability for reinstatement of the property, but instead at the higher amount of the BSI - £296,563.

Mr V wasn't satisfied by that. He continued to complain about the application of the averaging clause, the final settlement not being enough to reinstate the property and underinsurance not being raised as an issue until March 2023.

In response Great Lakes accepted the BSI limited settlement to be insufficient to reinstate the property. But it said the policy sets out the BSI as the maximum amount payable for a single claim. Great Lakes accepted it should have raised the underinsurance issue earlier. It offered £300 compensation in recognition. However, it didn't accept Mr V had experienced any real prejudice as a result – as it was no longer applying the average clause to the final settlement. It also offered to cover 50% of the termination costs for F's contract.

Mr V wasn't satisfied with that outcome so came to the Financial Ombudsman Service. He has said he would like Great Lakes to pay for complete reinstatement of the property. He said the cost, using a replacement contractor he had sourced, 'G', was around £450,000. This was completed in the summer of 2024. He would like to be reimbursed the full cost of cancelling F's contract - as the cancellation resulted from Great Lakes' failure to explain at an early stage that it would be limiting the settlement. He also asked to be compensated for the unnecessary distress and inconvenience Great Lakes' handling of the claim has caused him.

Our Investigator considered misrepresentation principles as central to the issue. She felt Mr V had made a fair presentation of the risk when taking out the policy. So she felt it wasn't fair or reasonable for Great Lakes to limit its liability for the claim to the policy's BSI. She also felt its delay in explaining the underinsurance concern had resulted in Mr V entering the contract with F that had to be terminated. So she recommended it covering the full contract termination costs. Finally, she said Great Lakes had already offered enough compensation to make up for incorrectly telling Mr V the BSI was adequate.

Great Lakes didn't accept that outcome. It said the Investigator's outcome made the sum insured (or BSI) irrelevant and would require it to settle the claim above the maximum payable under the policy. It said that's unreasonable and not how insurance policies work. It did, however, state it was prepared to cover, as a gesture of goodwill, the full contract termination costs. As the complaint wasn't resolved it was passed to me to decide.

first provisional decision

I issued a provisional decision. In it I explained why I intended to require Great Lakes to reconsider Mr V's claim in line with the terms of the policy – but without reference to the averaging clause or BSI, reimburse him the full contract cancellation fee with simple interest applied and pay him a total of £600 compensation. Below, I've summarised my reasons for having proposed that outcome.

The central focus of Mr V's complaint is Great Lakes' failure to cover full reinstatement costs because of its belief he's underinsured. I said the dispute centres on information given to Great Lakes when the policy was taken out. So I explained the starting point for me was misrepresentation principles. As the policy is a commercial one the relevant legislation is the Insurance Act 2015 (IA15).

IA15 requires a commercial customer to make a fair presentation of the risk. They are required to ensure every material representation as to a matter of fact is substantially correct - and every material representation as to a matter of expectation or belief is made in good faith. I said estimating a rebuild or replacement costs isn't a matter of fact. Instead, it's a matter of expectation or belief.

I explained why I considered the BSI, provided by a broker, on Mr V's behalf, was made in good faith. In summary it appears to have been a belief held sincerely by him, based on earlier advice and annual experience of index linked increases.

IA15 also says a fair presentation includes disclosure of every material circumstance which the insured knows or ought to know. It goes on to say an individual ought to know what should reasonably have been revealed by a reasonable search of information available to him – whether by making enquiries or by any other means. So I found it was reasonable for Mr V via his broker to understand a fair presentation included a reasonable estimate of the rebuild or reinstatement costs.

I found the BSI of £296,563, the broker provided, to be a reasonable estimate of rebuild costs. That was based on three relevant professionals having provided BSIs of £310,000, £317,000 and £440,800. I noted that Mr V commissioned a relevant expert to inform his BSI he likely would have ended up with a figure close to £296,563 anyway. I pointed out that estimate was only 5% and 7% below those of an insurance loss adjuster and a surveyor.

I concluded that there hadn't been a breach of the IA15 duty of fair presentation of risk – as the BSI provided by Mr V via the broker had been a reasonable estimate and had been given in good faith. I said where there's no breach there's no remedy available to Great Lakes under IA15. I said it can't fairly rely on the averaging clause in the policy or the BSI to limit its liability.

Great Lakes had said, in response to the Investigator's assessment, that it's unreasonable to expect it to settle a claim above the policy sum insured – set in the terms as the maximum payable for a claim. I explained there is an inherent uncertainty with estimating rebuild costs – it's not a fact, or something for which a definitive answer can be given. I said where the policyholder made a fair presentation, it's unfair for there to be a shortfall in the claim settlement. I said I intended to find Great Lakes had unfairly relied on the BSI to limit the settlement of the claim.

So I said I intended to require Great Lakes to reconsider its liability for the loss, in line with the remaining terms and conditions, but without reference to or application of the averaging clause or BSI as a claim limit.

I said Great Lakes had approved the appointment of F before later deciding to limit the claim settlement at an amount below the contract price. So I considered it reasonable for it to cover, on receipt of evidence of payment, the entire cancellation fee – with simple interest, at 8%, applied (from the date Mr V incurred the fee to the date of final settlement) to make up for him being unfairly without those funds.

I explained I wouldn't be considering Mr V's complaint points about scaffolding costs, additional damage he considers Great Lakes responsible for and loss of rent payments. I considered it more appropriate for them to be included in Great Lakes' wider reconsideration of his claim.

I also said I intended to require Great Lakes to increase its compensation payment to £600 to recognise distress and inconvenience resulting from its decision to limit the settlement at the BSI.

second provisional decision

After considering Great Lakes and Mr V's responses to the first provisional decision I changed my intended outcome. I summarised those responses, then set out my revised findings. I've included the same information, in the same order here.

Great Lakes agreed to my proposed additional compensation and to reimburse the entire contract cancellation costs with simple interest. However, it didn't agree with my intention to require it to consider the claim settlement without reference to the BSI as a limit.

Great Lakes considered the issue of underinsurance to be irrelevant. It had retracted its reliance on the average clause due to it not having raised it in the early stages of the claim. It said the property being underinsured had no bearing on the application of the BSI. Instead, it was limiting its liability to the BSI as the maximum amount of cover available under the policy. In addition, as there was no allegation of breach of duty of fair presentation it considered the provisions of IA15 as irrelevant.

Insurance policies, Great Lakes said, are negotiated on the basis of the sum insured as the maximum insurers are willing to accept for any one risk and the premium which is calculated by reference to it. It said my provisional decision effectively ignores the policy's BSI, an explicit and fundamental provision of the policy. Great Lakes considered this legally incorrect and to remove contractual certainty by obliging insurers to provide cover without limit. An outcome, it argued, that would require increased premiums and would have significant effects upon reserving and reinsurance.

Great Lakes concluded my provisional decision to be legally flawed, irrational, out of step with the insurance market and to prejudice insurers' position in a fundamentally unfair manner.

Mr V did accept my proposed outcome. He said strict enforcement of the BSI would result in an unfair outcome for him as he had presented the risk in good faith and relied on professional advice to determine the sum insured. He added this Service had previously found fairness to outweigh contractual limits where a policyholder wasn't responsible for significant gaps in cover.

Great Lakes didn't raise underinsurance until a few days before F was due to begin works. Mr V feels this deprived him of the opportunity to explore other options or adjust the scope of the works in time – resulting in additional costs and unnecessary complications. So the handling of the underinsurance issues caused him significant financial and emotional hardship.

Mr V requested Great Lakes pay, as a result of its poor claims handling, loss of rent beyond the policy's 12-month limit. He asked that it cover the cost of defective scaffolding it arranged, plus additional damage he considers the scaffolding responsible for. Finally, he didn't consider £600 to be enough to compensate him for the impact of Great Lakes' mismanagement of his claim.

I explained that I still consider Mr V provided a reasonable BSI in good faith and without being at fault finds himself with a shortfall in cover. However, I no longer intended to require Great Lakes to reconsider the claim without reference to the BSI.

In some circumstances I might consider it fair to require an insurer to pay compensation beyond the BSI. That would usually be where I consider the insurer made a mistake that resulted in a loss for the policyholder. The mistake might be, for example, when setting up the policy or during a claim. But having considered Great Lakes' response, I no longer considered it to have made a mistake or acted unfairly when setting the BSI.

In its response Great Lakes had said it's not in a position to assess or guide the BSI. Instead, it relied on the accuracy of information provided by Mr V's broker. It used that information to set the appropriate premium, assess the viability of the risk and limit its exposure. It highlighted the policy states in various places that the BSI is the indemnity limit by stating it's the maximum payable for one incident.

In addition, Great Lakes argued my provisional decision removes its contractual certainty, requiring it to provide unlimited cover. It considers that outcome would result in a need to increase premiums and have significant effects on reserving and reinsurance.

I noted Mr V's concern that limiting his settlement to the BSI results in an unfair outcome for him. I explained that I'm, however, required to consider, in regard to fairness, the impact of my decision on both him and Great Lakes.

Having considered Great Lakes' latest arguments, I first don't consider it did anything wrong during the sale or setting of the BSI. It was entitled to rely on the BSI provided by Mr V via the broker to set up the policy and determine the premium. Neither do I consider it fair, in these circumstances, to remove the contractual certainty of the BSI; the policy clearly states that the BSI is the policy limit, the maximum payable. I'm said I'm persuaded by its arguments that to do so would unfairly undermine its ability to assess risk, limit its exposure and set premiums.

So I no longer intended to find Great Lakes unreasonable, as a result of any unfairness when the BSI was set, relied on the BSI to limit the settlement paid to Mr V. As the policy sets out it is the maximum payable for one incident. It follows I no longer considered the fair outcome to be to require it to reconsider the claim without reference to the BSI as a policy limit.

I explained I now considered it to be fair outcome for Great Lakes to settle the claim at the BSI. I said that, however, Mr V had said its actions during the claim caused him additional or avoidable costs or losses. I hadn't considered those complaint points in my first provisional decision. I felt those concerns would likely be addressed when Great Lakes undertook the wider reconsideration of the claim. But as I no longer intended to require that to happen, I felt it was now necessary to consider them in the second provisional decision.

So I considered if the fair outcome would be for Great Lakes to compensate Mr V for any losses resulting from its actions during the claim. I said that might mean it ultimately paying more than the BSI in total or more than the policy's loss of rent maximum benefit. But it would result from its unfair actions or mistakes during the claim, rather than during the setting up of the policy and the BSI.

notification of the limited settlement

Mr V had complained Great Lakes prejudiced his position by failing to raise the underinsurance issue and proportionate settlement until six months into the claim. By that point he had signed a contract with F. He had said if the issue had been raised sooner, he would have been able to act differently - including sourcing his own builder, surveyor and scaffolder at much lower cost. He would then have had sufficient funds to complete the repairs. In addition, the property would have been reinstated within the 12 months his policy provides loss of rent cover for.

I explained I still considered it was unfair for Great Lakes to rely on the averaging clause in the policy to propose a proportionate settlement, for the same reasons as given in my first provisional decision. In summary the issue of underinsurance arose from information given to Great Lakes when the policy was taken out. So the starting point for me was misrepresentation principles. As the policy is a commercial one the relevant legislation is the Insurance Act 2015 (IA15).

There wasn't a breach of the IA15 duty of fair presentation of risk. The BSI provided by the broker had been a reasonable estimate and had been given in good faith. So as there was no breach, I considered it was unfair for Great Lakes to have attempted to rely on the averaging term to propose the proportionate settlement.

Great Lakes, a month or so after informing Mr V of the averaging settlement, proposed one in line with the higher BSI - an outcome that I now intended to find fair.

I'd considered Mr V's concerns about the time Great Lakes took to advise it was limiting the settlement. Great Lakes accepted it should have advised him of it earlier than it did. I

considered it was in the position to, and should have, explained the possibility of a limited settlement around six weeks earlier than it did.

The tender process was completed in mid-February 2023. All three quotes were for a higher amount than the BSI. So Great Lakes should reasonably have been aware reinstatement costs would exceed the BSI at that point. I felt it should have, to treat Mr V fairly, raised any proposed limited settlement with him as soon as possible. Instead, it approved F's bid for reinstatement works and allowed Mr V to sign the contract. Then on 23 March 2023 it told him it would be providing a proportionate settlement - rather than covering the cost of the full repair contract. In early April 2023 it made the BSI offer.

I considered if Great Lakes' failure on this point caused Mr V loss. Had it informed him of the limited settlement, averaged or BSI, in mid-February 2023 it seems unlikely he would have signed F's contract. Great Lakes has already agreed to reimburse the full cancellation cost with interest. I considered that fair, so I didn't spend more time considering that loss.

Mr V had said Great Lakes' actions were responsible for extending the reinstatement timescale by eight months. I wasn't persuaded it could fairly be found to be responsible for that length of delay. I wasn't persuaded it should reasonably have been aware of the possibility of claim costs exceeding the BSI until the mid-February 2023 estimates were received. So I said it was reasonable for it to have incurred various claim costs, including for its LA, debris removal and scaffolding, up to that point.

I accepted that if Great Lakes had told Mr V of the limited settlement earlier, he would have understood around six weeks earlier than he did, that he needed to source his own contractor. I felt it was likely G, or an alternative, would have provided an estimate and begun reinstatement work six weeks earlier than happened in practice. I hadn't been persuaded that once reinstatement began the extent of required repairs, their costs and the timescales would have been less or shorter but for mistakes by Great Lakes.

Reinstatement, once G began work, did take significantly longer than had been initially estimated by Great Lakes' LA. But I wasn't persuaded that was Great Lakes' fault. Ultimately, from G's explanation, it seemed the fire damage and required repairs were more extensive than had originally been appreciated. On this point, I said, Mr V feels Great Lakes caused additional damage and costs by installing inadequate scaffolding. I explain, below, why I wasn't persuaded of that.

I considered, then, Great Lakes' failure to advise of the limited settlement promptly caused an unnecessary delay to commencement, and so likely to completion as well, of repairs of around six weeks. I found that caused him a financial loss.

Delay to completion will have extended the period Mr V was unable to let and receive rental income for the property. So I then considered his concern that Great Lakes hadn't made a reasonable loss of rent settlement. He asked that Great Lakes cover his loss of rental income for a total of 20 months – so eight months beyond the policy's 12-month benefit period. He considered its mistakes significantly extended the time it took to reinstate the property.

The policy covers loss of rent, for a maximum of 12 months, whilst the property can't be lived in following insured damage. Great Lakes had paid 10 months loss of rent - for the period from September 2022 until 11 July 2023. In February 2023 its LA estimated, based on anticipated project length and lead in times, the loss of rent claim would extend to the full 12 months. The reinstatement work did extend significantly beyond 12 months from the date of loss - until at least summer 2024. It's not clear why only 10 months of the 12-month policy benefit has been paid.

I was satisfied the property couldn't be lived in for more than 12 months following, and as a result of, an insured event. I said I would consider anything Great Lakes provided in response, but in the absence of an explanation for not having done so, I intended to require it to pay up to the 12-month policy limit. That means an additional two months at £3,100 pcm (the rate paid previously). To make up for Mr V being without those funds Great Lakes would need to add simple interest at 8% to each monthly payment. That would be from the month it was intended to cover until final settlement.

I said I didn't intend to require Great Lakes to cover, under the terms of the policy, loss of rent beyond the 12 months benefit provided. However, I intended to require it to cover six weeks of lost rental income outside of the terms of the policy - as compensation for financial loss I consider it responsible for. As explained, six weeks is the period I considered Great Lakes to be responsible for delaying commencement and so completion of repairs. That will have ultimately delayed relet of the property, causing Mr V an unfair loss of rental income during a period outside of the cover offered by his policy.

So I said Great Lakes should reimburse him for six weeks lost rental income – at a rate of £3,100pcm with simple interest, at 8%, to be applied from the date six weeks prior to the date Mr V can show he relet the property.

scaffolding

At the start of the claim, in September 2022, Great Lakes arranged scaffolding and a temporary roof for Mr V's property. It included its expenditure on those items within its calculation of the full BSI limit settlement of £296,563. Mr V felt that was unreasonable as he didn't arrange the scaffolding, it was defective, and the cost was excessive. So he said it should absorb that cost, rather than consider it as part of the claim settlement. In addition, he considered the scaffolding, being defective, resulted in additional damage and reinstatement costs.

An initial £16,209 was paid by Great Lakes for debris removal, making the site safe and eight weeks scaffolding and roof hire. It was also charged a further £13,500 to cover scaffolding and roof hire for a further 17 weeks or so - from mid-November 2022 to mid-March 2023. Around May 2023, having been informed of the limited settlement, Mr V arranged his own scaffolding and roof. He was charged £7,200 for 30 weeks.

I said I was satisfied it was reasonable for Great Lakes to arrange, with the intention of protecting the property from further damage, scaffolding and temporary roof. The same applied to debris removal and making the site safe. For that reason, I considered it fair, in principle, for the relevant costs to be included in the overall claim calculation. However, I went on to consider if it was fair in this case for the full £29,709 to be applied to the claim costs. I also considered if, as Mr V claims, defective scaffolding caused him loss.

Mr V provided a 'May 2023 report' from the supplier of his scaffolding. It assesses Great Lakes' scaffolding. The report finds various issues with its paperwork and construction. Mr V did raise his concerns, initially in April 2023, to Great Lakes at the state of the scaffolding and the inclusion of its cost in his settlement. I said I don't know if the May 2023 report was ever provided to Great Lakes. I hadn't been provided with any response it went on to issue. Nevertheless, I said, there's evidence to support Mr V's description of the scaffolding as defective. So I considered if he experienced a financial loss as a result of defective scaffolding.

Mr V had said insecure tarpaulin allowed rain to enter and a pigeon infestation to develop. I noted the May 2023 report doesn't refer to tarpaulin, but photos provided by Mr V show

unsecured tarpaulin. They also show evidence of a pigeon infestation. However, I hadn't been provided with enough to persuade me of identifiable additional damage resulting from defective tarpaulin responsible for additional reinstatement costs.

I said Mr V hadn't identified the specific damage and additional costs. A letter from G, Mr V's contractor, provides an explanation for costs rising significantly above its original estimate. It refers to discovering damage from the fire, and water used to extinguish it, to be far more significant than understood by the original surveys.

G's letter also refers to '...damage caused by the defective tin hat construction and the poorly fitted tarpaulin (that became loose and no longer protected the exposed property)...'. But, I said, it doesn't provide a breakdown of, or detail, the damage resulting from each cause. Neither does it specify the damage, and related costs, resulting from the 'defective' tin hat and tarpaulin.

I also considered G's original costed schedule of works, alongside a later one covering additional works. The latter doesn't attribute cause of damage. I found there wasn't enough for me to fairly find any of the additional work most likely resulted from defective scaffolding - as opposed to being necessary due to the fire and extinguishing water.

Mr V had arranged and paid for his own scaffolding. I said even if it was necessary to replace Great Lakes', as it was defective, I wasn't persuaded he incurred a loss as a result. Great Lakes applied costs for hire until mid-March 2023. Mr V paid for his own from May 2023. So I found there wasn't a period of overlap where charges were incurred for two sets of scaffolding. I felt that ultimately, Mr V would always have had to cover the cost of scaffolding from May 2023.

Mr V had said Great Lakes' scaffolding costs were excessive. His representative raised this concern in an email to its CEO. In response Great Lakes invited the representative to provide, for its consideration, alternative costings from a professional scaffolding contractor. I said I hadn't seen anything to persuade me such evidence was submitted.

However, I found, based on his scaffolding invoice, Great Lakes' scaffolding appeared to have cost significantly more per week - around three times as much. I said the cost paid by an insurer for services or materials has a limited impact on a policyholder when that insurer is taking responsibility for reinstatement. But where the claim is being cash settled at a policy limit, as in this case, any excessive expenditure by the insurer can have a significant impact. For example, it could result in unfairly reduced funding for the remaining elements of reinstatement.

I said I would provide Great Lakes with Mr V's invoice for its consideration. I requested it consider if it still feels it fair for it to include the full scaffolding cost in its calculation of Mr V's claim settlement. I asked that if it does it explains, in response, the cost variance and its decision. I said I would then consider if it has acted fairly by deducting the full £29,709 from Mr V's settlement.

compensation

Great Lakes had agreed to pay a total of £600 compensation to Mr V. He felt that not enough to recognise the impact its claims handling had on him. I said I had considered his explanation of the claim's impact on his personal life and finances. I accepted the loss to the property and the process of reinstatement has had a significant impact on him.

However, I considered the likely main cause of distress or inconvenience to be the original loss itself, alongside the claim settlement, at the BSI, being insufficient to fund full

reinstatement. I added Great Lakes bears no responsibility for the original loss. In addition, as I'd set out above, I now intended to find it decision to limit the settlement at the BSI to be fair.

I said I did intend to find Great Lakes responsible for some element of poor claims handling, including responsibility for a six-week delay. But explained I can only fairly find it responsible for a small part of the undoubted distress and inconvenience Mr V experienced. I still considered £600 to be a fair amount of compensation for Great Lakes to pay in recognition of that.

Finally, I explained I didn't consider Mr V's dissatisfaction with the settlement of his contents claim and a failure by Great Lakes to offer him a policy renewal to form part of this complaint about his buildings insurance settlement. Neither had I seen those points raised with Great Lakes. I said Mr V should allow Great Lakes an opportunity to respond to them.

So, based on my second provisional decision I intended to require Great Lakes to:

- reimburse Mr V, on receipt of evidence of payment, the contract cancellation fee (adding simple interest as set out above)
- pay an additional two months loss of rent, at £3,100 pcm, in line with the terms of the policy (adding simple interest as set out above)
- pay a further amount equivalent to six weeks rental income (adding simple interest as set out above) and
- pay £600 compensation (including the £300 already offered).

Finally, I requested Mr V and Great Lakes provided any further comments or evidence they would like me to consider before issuing this final decision. I've outlined and considered their responses below.

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.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mr V and Great Lakes have provided. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted, including everything sent in response to the second provisional decision.

Mr V was disappointed by the content of the second provision decision. He asked that I reinstate the findings and proposed outcome of the first provisional decision – including the requirements for Great Lakes to reconsider the claim without reference to the BSI limit.

Mr V's response provided detailed arguments with reference to various examples of caselaw. For the reasons set out above I'm not responding here to each point. I've considered it all though. I will address Mr V's two main points here – that the BSI shouldn't be applied as a settlement limit and the impact of Great Lakes' delayed notification of the underinsurance issue.

As explained, I still consider Mr V provided a reasonable BSI in good faith and without being at fault finds himself with a shortfall in cover. But, as explained, I don't consider Great Lakes did anything wrong during the sale or setting of the BSI. Whilst considering Mr V's points I don't consider it fair, for the reasons set out in the second provisional decision, to remove the contractual certainty of the BSI. Mr V hasn't provided anything to persuade me

otherwise. I'm not persuaded by his argument that allowing Great Lakes to rely on the BSI undermines the intent of IA15.

So I will not be finding Great Lakes unreasonable, as a result of any unfairness when the BSI was set, relied on the BSI to limit the settlement paid to Mr V. I realise this will be disappointing for him, but I'm not going to require it to reconsider the claim without reference to the BSI as a policy limit.

Mr V has made various arguments and points about Great Lakes creating expectation, causing financial loss, through delaying informing him of the underinsurance issue – and ultimately it wouldn't be covering full reinstatement costs. He said the second provisional decision fails to recognise that failure and the impact on him.

I don't agree that there is such an omission in the second provisional decision. It includes a sub heading of '*notification of limited settlement*'. I set out why I considered Great Lakes should have informed Mr V of the limited settlement around six weeks earlier than it did. I went on to consider the impact of this on him. I wasn't persuaded reinstatement costs had been higher as a result. But I did propose Great Lakes cover further loss of rent. I referred to its offer to cover F's contract cancellation costs. Mr V's latest submission hasn't persuaded me Great Lakes should cover any further related losses.

In its response to the second provisional decision Great Lakes didn't challenge the findings or proposed outcome. Instead, it simply provided detail of what it will pay Mr V. It set out a list of payments it intends to make to him. Overall I consider its proposal to be reasonable and in line with my intended outcome for the complaint.

Great Lakes said it will pay £10,678 for contents. That appears to be a settlement at the contents sum insured limit. Settlement of contents doesn't form part of this complaint. So I haven't considered the fairness of that proposal. Neither does it form part of my final direction for Great Lakes. If Mr V wishes to accept that offer, or dispute it, he should contact Great Lakes directly.

Great Lakes proposed paying Mr V an amount of £108,097. It considers that to be the balance of the outstanding Buildings' BSI. Considering I'm satisfied its fair for it to limit the settlement to the BSI, and the information I've seen on payments made to date, that seems a fair outcome.

Having considered the scaffolding cost information, Great Lakes offered to pay an additional £22,960 to Mr V. It described that to be the difference between the cost of Mr V's scaffolding and its own contractors for 28 weeks. Having considered the relevant costs, I'm satisfied that's a fair offer to Mr V. I will require Great Lakes to pay it. I haven't provided Mr V with an opportunity to comment on the proposal. That's because I won't require Great Lakes to pay the full £29,000 cost of its scaffolding contractor, or any more than the amount it's offered. Its reasonable for some of those costs to counted towards the BSI settlement, as the site needed to be made secure and protected from further damage. In addition, it's unlikely as a claim cost he said was unfair, that Mr V will object to Great Lakes making the payment.

Great Lakes agreed to my proposal that it pay an additional two months loss of rent, £6,200, in line with the terms of the policy and a further amount equivalent to six weeks, £4,650. For the reasons set out in second provisional decision I consider those fair amounts for it to pay.

Great Lakes is still willing to reimburse F's contract cancellation charge, but requests Mr V provides evidence of the cost incurred. That's a reasonable position and one I set out previously. In addition, Great Lakes agreed to apply simple at 8% from the date of the tender

results, 14 February 2023, to the date of its response, 14 February 2025 to every item - the BSI balance, the loss of rent, scaffolding costs.

This Service often requires firms to calculate interest from the date of loss, or expenditure, to the date of final settlement. But, in the circumstances, I consider Great Lakes' proposal a reasonable one. Importantly for this case, where there are several different payments, with various dates of loss or expenditure, the proposal provides for a simplified calculation. Interest will be due for a slightly shorter period overall, but some payments will receive interest over a longer time. It's likely to result in a fair outcome for Mr V. So I'm using it as the interest award in my direction to Great Lakes.

Putting things right

Having considered the response to my second provisional decision, I haven't been provided with anything that changes my overall position - that it was reasonable for Great Lakes to settle the claim at the BSI, but should have informed Mr V of that around six weeks earlier than it did. In its response Great Lakes agreed to my proposals on loss of rent and made a reasonable offer regarding scaffolding costs and interest. I'm satisfied its proposed payments provide a fair outcome overall. So Great Lakes will need to take the following actions:

- reimburse Mr V, on receipt of relevant evidence, F's contract cancellation fee,
- pay Mr V £108,097 in line with its calculation of the BSI balance due,
- pay Mr V an additional £22,960 to reflect the difference in scaffolding costs, £6,200 to cover two months loss of rent due under the terms of the policy and a further amount of £4,650 to reflect six weeks additional loss of rent.
- Add simple interest to each of the above payments from 14 February 2023 to 14 February 2025.
- Pay Mr V £600 compensation (including the £300 already offered).

My final decision

For the reasons given above, I require Great Lakes Insurance SE to take the steps set out above under 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 2 April 2025.

Daniel Martin
Ombudsman