

The complaint

Mr and Mrs F are unhappy that Red Sands Insurance Company (Europe) Limited (Red Sands) declined their claim for water damage.

Mr and Mrs F jointly held buildings and contents insurance underwritten by Red Sands. For ease of reading, I'll refer mainly to Mr F throughout my decision.

What happened

The background to this complaint is well-known to both parties. So I've set out a summary of what I think are the key events.

Mr F claimed under his policy when his home was damaged by a leak from a foul-water pipe. Red Sands accepted there'd been a leak, but it declined the claim because it didn't think Mr F had incurred a financial loss. Red Sands said Mr F was refurbishing his home and the cost to repair would've been no different to the cost of the building work he was already doing.

Mr F complained to Red Sands about its decision and about the way it handled his claim. He said although he'd looked into having work done, the cost of the full refurbishment was too high. But because of the leak, Mr F needed to do more work than he'd planned. Therefore, Mr F said he'd suffered a financial loss. Further to this, Mr F said Red Sands made unreasonable requests for information.

Red Sands sent Mr F its final response to his complaint maintaining its decision to decline the claim. So, he brought his complaint to us.

Our investigator didn't think it was reasonable for Red Sands to decline the claim and she said it hadn't handled the claim fairly. Our investigator thought Red Sands should accept the claim, settle it in line with the policy, and pay £200 compensation for the distress and inconvenience caused.

Red Sands didn't agree. It provided further comments and evidence to support its belief that Mr F would've incurred the same costs regardless of whether or not the leak had happened.

So the complaint was passed 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.

Having done so, I've decided to uphold Mr F's complaint, and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. My role is to decide, based on the available evidence, whether Red Sands handled Mr F's claim fairly and reasonably in the circumstances.

There's no dispute that Mr F's home was damaged by an escape of foul water from a pipe. So I'll focus on the key complaint which is that Red Sands turned down the claim because it didn't think Mr F had incurred a financial loss.

Building work

Red Sands accepted that there was a leak and it caused damage. But it said Mr F had a planned programme of renovations which included the damaged area. Therefore, Red Sands said the leak hadn't caused Mr F any additional expense. Mr F said he hadn't planned to renovate that area prior to the leak.

It's difficult for Mr F to prove that he didn't have a planned programme of work covering the damaged area prior to the leak. However, he has provided evidence of payments which he says are to builders, along with invoices for building materials showing order dates at least a week after he notified Red Sands of the leak.

Red Sands hasn't provided any evidence of a planned programme of work which clearly shows Mr F would've renovated that part of his house, at that time, irrespective of the leak damage.

I accept Red Sands' evidence that Mr F already had building work underway. He confirmed that when he made his claim, and it was the reason he found the leak. But he explained the work was in relation to a broken boiler and a much smaller programme of work. He also said the builder on site was a friend. Mr F tried to make a claim for damage relating to the boiler, which wasn't covered under his policy. So I have no reason to doubt what he says about the ongoing work at that time.

Red Sands' loss adjuster supplied photos which show the damaged room had been stripped back completely. Mr F said he decided to go ahead with more work than he'd intended while the damage would need to be repaired anyway. I don't think that's an unreasonable explanation.

I asked Red Sands to provide call recordings of Mr F's contacts. It didn't have recordings available, but Red Sands provided the call notes again. In its response, Red Sands said the delays getting surveyors on site were caused by Mr F, and he requested a video call for the survey seven days after his claim. However, I can't agree that's a fair reflection of the events. Red Sands' record of events show that it appointed a contractor the day after Mr F made his claim. But the contractor declined the survey because Mr F didn't want the company to do the work. Red Sands then appointed another contractor and contacted Mr F two weeks after he made his claim to arrange a visit. At that point he'd started work on the repairs, which he told Red Sands, but still agreed to the survey.

I note Mr F made Red Sands aware of the repairs at each stage of contact. I haven't seen

any evidence that Red Sands told Mr F not to complete work: it simply asked for photos and costs so it could consider a desktop settlement.

Red Sands said it wouldn't be able to scope for the work that would've been covered by the policy because Mr F had prejudiced its position. I've considered the work quotes Mr F provided and the brief summary of work shown in Red Sands' 7 October report under the heading Nature and Extent of Damage. While I accept it may be difficult to scope the work, I don't think it's unreasonable to rely on all the available reports to determine a fair settlement under the policy. While Red Sands said there wouldn't have been additional costs, I don't agree. For example, drying costs would've only been needed because of the leak damage.

As I said, there's no dispute that the leak caused damage. And I don't think there's any dispute that Mr F was having some sort of building work done. But I don't find that Red Sands has shown that he didn't suffer an additional financial loss because of the leak. Therefore, I think Red Sands unreasonably declined to pay the claim in the circumstances and it should reconsider the claim again under the terms of the policy.

Claim handling

Mr F didn't think Red Sands handled his claim fairly. He said there were delays responding to him, so he carried on with work to repair his home. Mr F also said Red Sands asked for information which he didn't think was reasonable.

Looking at the timeline of events, I see it took Red Sands two months from Mr F's claim to issue its loss adjuster report stating extensive renovations meant it couldn't scope for the work and there was no loss. However, I think Red Sands could've prevented this if:

- its first appointed contractor had attended;
- it had appointed a second contractor sooner;
- Red Sands had asked Mr F not to start work until it inspected the damage, or
- it hadn't implied going ahead with the work would be acceptable by asking Mr F to submit photos and costs of repairs as evidence.

Based on this timeline of events and record of calls with Mr F, I'm satisfied the evidence shows Red Sands didn't handle this part of the claim fairly.

I've looked at Red Sands' requests for information from Mr F. I don't think it was unreasonable for Red Sands to ask for information relating to the claim, and I understand that this type of claim can take time. But Red Sands then spent seven months asking Mr F for an appropriately signed statutory declaration before repeating that there was no financial loss and, again, declined the claim. Mr F believes Red Sands' request was a delaying tactic.

I can see that Red Sands asked Mr F to return a signed declaration on a number of occasions. However, the evidence shows that he returned the declaration numerous times, and again when Red Sands asked for a wet-signed version. It's not clear what difference Red Sands expected the declaration to make to its claim decision. And given that it had the information much sooner, from which it could've confirmed its decision, I can't see why it made repeated requests for Mr F to send further signed copies. Therefore, the evidence doesn't persuade me that a further seven months' delay while waiting for a signed statutory declaration was reasonable.

So, in the circumstances, I'm satisfied that the evidence shows Red Sands didn't handle the claim as well as Mr F might reasonably have expected. Our investigator proposed £200 compensation. I think that's fair and in line with what this service would ordinarily require for a similar level of inconvenience and delays.

As a final point, I'd like to reassure Red Sands that I considered the additional comments it made and the photos it sent to demonstrate the work it believed Mr F would've had done whether or not the leak happened. But Mr F hasn't said he didn't look into doing the work at all. He simply explained that the cost was too high at that time and he had no immediate plans. I don't find that an unreasonable explanation.

Overall, I don't think Red Sands has demonstrated that there was no financial loss to Mr F and the evidence indicates that Red Sands caused avoidable delays and inconvenience. Therefore, I don't find that Red Sands handed Mr F's claim fairly or reasonably in the circumstances.

My final decision

For the reasons I've given, my final decision is that I uphold Mr and Mrs F's complaint and Red Sands Insurance Company (Europe) Limited must:

- consider the claim again under the terms of the policy, and
- pay £200 compensation for the distress and inconvenience caused by its handling of the claim and the avoidable delays.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs F to accept or reject my decision before 5 April 2024.

Debra Vaughan
Ombudsman