

The complaint

Mr and Mrs D complained that Fairmead Insurance Limited (“Fairmead”) didn’t fully settle their damage claim under their home insurance policy.

What happened

Mr and Mrs D made a claim when they suffered water damage within their home. Fairmead appointed a contractor to manage the claim.

Mr and Mrs D decided to have other renovation work done at their house at the same time as having the repairs from the damage completed. Mr and Mrs D agreed to get their own contractors to do all the work, so agreed a settlement for the repairs. They contacted Fairmead and clarified in their mind that they could re-claim the VAT element of the other renovation works as well as the full cost of the repairs.

When Mr and Mrs D submitted receipts in the expectation of claiming back the VAT element of the renovation works, they were surprised when Fairmead said this part of the work wasn’t covered by the policy. Fairmead admitted making a mistake by providing incorrect advice, but it didn’t pay the VAT, instead it paid Mr and Mrs D £250 for “*loss of expectation*”.

Mr and Mrs D feel they’ve been financially impacted, as they haven’t been reimbursed around £3,500 for the VAT described above. They said they wouldn’t have commissioned as much renovation work to be done if they had known this VAT element would be recovered.

Our investigator decided not to uphold the complaint. She thought Fairmead had declined part of the claim in line with the terms and conditions of the policy and she thought the compensation paid by Fairmead was reasonable. Mr and Mrs D disagreed, so the case has been referred to an ombudsman.

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’ve started by reviewing the terms and conditions of the policy to see what Fairmead intended to cover when offering Mr and Mrs D cover.

Page 18 of the policy states “*the buildings are insured against loss or damage caused by escape of water*”. Page 27 states “*the contents are insured against loss or damage caused by escape of water*”. I think the policy is clear that it covers both loss, or damage caused by the water leak. I have read the rest of the policy. There are no statements that lead me to think the policy covers the additional costs Mr and Mrs D have claimed for in relation to the VAT element of the renovation works. In covering Mr and Mrs D, Fairmead only intended to provide cover for “*the cost of any replacement or repair work carried out*” (*i.e. not additional renovation works*).

However, Mr and Mrs D's complaint goes deeper than this, as they say they were advised by Fairmead's contractor that they could re-cover the VAT element of the renovation works. Fairmead have admitted that this did happen. However, Fairmead said it was a genuine mistake and that the policy didn't cover this. But it did compensate Mr and Mrs D for it making the mistake.

I need to consider whether the compensation offered by Fairmead is fair in the circumstances. Mr and Mrs D said they would've spent less if they knew their claim wouldn't be covered. So, Mr and Mrs D suggest they are £3,500 out of pocket.

Having reviewed the circumstances in full, I don't think it's fair to expect Fairmead to pay higher costs than what is set out in the policy. I appreciate Mr and Mrs D will be disappointed to hear this, so I'll set out why I've arrived at this decision.

Mr and Mrs D have had other interactions with Fairmead (and possibly a broker or comparison site on the sales journey). Following the sales journey, Mr and Mrs D received a policy document which set out the detail of the policy in the terms and conditions. As I've set out, I think these are clear. Mr and Mrs D had the opportunity to cancel the contract of insurance after reviewing these terms.

I've noted that Mr and Mrs D made enquiries about what would be covered in their claim shortly after the incident. This was on a separate occasion to when they received incorrect advice. In the first interaction, from reviewing the history of the claim, Mr and Mrs D were informed directly that "[Fairmead] will only cover resultant damage from the leak". It also reinforced "*any pipework repair/replacement/re-routing is the customer's responsibility*".

Therefore, whilst I appreciate Mr and Mrs D were misinformed once, I can see on at least two other occasions they received the correct information about the cover they'd purchased. Therefore, on balance, I don't think it's reasonable to ask Fairmead to cover additional costs that aren't covered by the policy.

Fairmead have paid £250 compensation for the mistake that was made. I can't say for sure whether Mr and Mrs D would've done the same or less work if Fairmead hadn't provided the wrong advice. Even so, I think Mr and Mrs D decided they wanted this work done and have benefitted from having it done. I think the compensation is adequate and fair for the disappointment and distress that might have been caused. So, for the reasons set out, I don't uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint. I don't require Fairmead Insurance Limited to do anymore.

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

Pete Averill
Ombudsman