

The complaint

Mr and Mrs C complain about U K Insurance Limited's (UKI) handling of their home emergency claim. Any reference to UKI in this decision includes its respective agents unless specified otherwise.

What happened

The background of this complaint is known in detail to the parties involved so I've summarised what I've found to be the key points.

- Mr and Mrs C made a claim under their UKI home emergency policy after noticing a stain on their dining room ceiling suggestive of a leak from the room above. They also raised a claim on a separate home insurance policy provided by a different insurer who I'll refer to in this decision as Company A.
- UKI sent an engineer to assess the damage. The engineer ran water tests in the shower area of the bathroom and noted that water was escaping from the shower screen. The engineer concluded that this was the cause of the water staining to the ceiling and Mr and Mrs C say he advised them not to use the shower until they replaced its grouting which would alleviate the problem.
- Mr and Mrs C say they stopped using the shower thinking there couldn't be any further damage as they were following the engineer's instructions. And they cancelled their home insurance claim with Company A as their handy man said he could carry out the grouting and repairs to the ceiling for less than their home insurance policy excess. But prior to the works taking place, Mr and Mrs C's dining room ceiling partially collapsed causing significant damage to their home.
- Mr and Mrs C appointed a plumber to identify the cause. The plumber said the leak that caused the stain to their dining room ceiling had still been ongoing. But it wasn't coming from the shower (as previously diagnosed by UKI's engineer) but rather from near the boiler immersion where there was found to be a steady trickle of water. Mr and Mrs C made a claim on their home insurance with Company A for the damage.
- Mr and Mrs C complained to UKI that its failure to correctly diagnose the source of the leak resulted in their property suffering a greater amount of damage, meaning they had to claim on their Company A home insurance, incurring a policy excess charge of £450 as well as an increase in their policy premiums.
- They also said that Company A failed to cover the entire cost of their claim, leaving them around £1600 out of pocket. And that the situation caused them a great deal of worry, stress and upset.
- UKI agreed there was a failing on its part due to the leak in question not being diagnosed correctly during its engineer's attendance resulting in damage being caused. It apologised and upheld Mr and Mrs C's complaint.
- To put things right, UKI offered to reimburse the policy excess Mr and Mrs C had to pay to Company A along with the costs they incurred to appoint their own plumber

(£90). It also offered £200 compensation for the distress and inconvenience caused.

- But UKI didn't agree to cover the difference in Mr and Mrs C's renewal premium or the difference between Company A's claim settlement and what they paid for repairs. Unhappy with this, Mr and Mrs C brought a complaint to this Service.
- Our Investigator considered the complaint and after receiving some further information, she concluded that UKI's offer to reimburse the home insurance excess, plumbers fee and offer of £200 compensation was fair, but that it should also reimburse Mr and Mrs C £144 for a dust extractor (needed during the works due to a health condition) and £32.97 for storage boxes.
- But our Investigator didn't agree that UKI needed to reimburse Mr and Mrs C the £1612 relating to their claim with Company A as she found this to be an avoidable loss on Mr and Mrs C's part. Nor did she think UKI had to reimburse any monies in relation to the increase in Mr and Mrs C's home insurance policy premiums.
- UKI agreed to the Investigator's outcome, but Mr and Mrs C did not. They maintained that these costs should be reimbursed by UKI and said the compensation for distress and inconvenience wasn't enough given the impact on them. They asked for an Ombudsman's decision.

In April 2024 I issued a provisional decision partially upholding the complaint. I've included part of what I said in this provisional decision below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's not in dispute in this case that UKI's engineer reached the wrong conclusion on the cause of the leak at Mr and Mrs C's property. And from what I've seen, UKI appears to accept that this was a failing on its part and that it led to the further damage that occurred.

Mr and Mrs C appear to be satisfied with part of UKI's offer to put things right in relation to its failing in this case, so I see no need to go over these points again. Instead, I've set out my findings on what I understand to be the outstanding issues in this case, dealing with each point in turn.

Increase in renewal premiums

Mr and Mrs C have shown that prior to making the claim for the collapsed ceiling, Company A offered them a renewal premium of £574.20. But after the claim was made, Company A wrote to Mr and Mrs C saying: "This claim was notified to us prior to the renewal of your policy on 6 June 2023 but after we had issued your renewal invitation. Because of this claim your renewal premium may be impacted, we will inform you as soon as possible."

Company A then issued a new renewal invite with a premium of £697.11. So, on the face of it, the claim they made for the collapsed ceiling appears to have led to the increase in their renewal premium with Company A. And it's for this reason Mr and Mrs C think UKI needs to compensate them for this as they say they wouldn't have had to claim on their home insurance policy if UKI had correctly diagnosed the leak in the first place.

UKI disagrees. It's of the opinion that Mr and Mrs C would've always claimed on their home insurance policy to rectify the stain on their dining room ceiling, as this wouldn't have been covered under their home emergency policy. So it thinks their home insurance premiums would've been affected regardless of its error, as a claim would always have been made. Therefore, it hasn't agreed to reimburse Mr and Mrs C any costs relating to this. I've carefully considered both arguments and the supporting evidence provided.

Mr and Mrs C have provided evidence to show that while they initially opened a claim with Company A for the stain on their dining room ceiling, this was closed soon after UKI's engineer attended and gave their opinion on the cause of the leak.

Mr and Mrs C say this is because they were aware that making a claim on their home insurance policy could affect their premiums and may not have been covered as the cost of repairing the stain to their ceiling alone would likely be less than their policy excess. So they instead decided to go with a local contractor for this work and closed the claim with Company A. They've provided a written account from their contractor attesting to this.

On balance of what I've seen so far, I find Mr and Mrs C's testimony and supporting evidence regarding these matters' persuasive, meaning I think it's unlikely they would've claimed on their home insurance policy for the stained ceiling alone. And so, in my opinion, UKI's reason for not compensating Mr and Mrs C in relation to their increased renewal premium essentially falls away. So I intend to direct it to reimburse Mr and Mrs C the additional £122.91 they paid on their most recent home insurance renewal.

Mr and Mrs C have also raised the point that the claim they made to Company A will likely affect their home insurance premiums for some time – usually a period of five years. It isn't unusual that claims can affect premiums for this time-period, so I understand this argument and I think it's a relevant consideration in this case.

I can't know the exact monetary impact that the claim may or will have on Mr and Mrs C's future home insurance premiums as these are yet to be calculated. But on balance, I'm persuaded that some impact is most probably likely, so I've thought about the fairest way to recognise this in the specific circumstances of this case. And my current thinking is to base the redress calculation for the further four years premiums roughly in line with Mr and Mrs C's most recent renewal increase. With that in mind, I also intend to direct UKI to pay Mr and Mrs C a total of £480 for this.

Compensation for distress and inconvenience

Mr and Mrs C say the damage caused by the collapsed ceiling resulted in several weeks of not being able to have full use of the affected rooms alongside the inconvenience of having to clear the rooms out so the repair works could take place.

Mr and Mrs C say that none of this inconvenience would have occurred had UKI dealt with their claim correctly. And they raise the point that Mrs C has a health condition that can be exacerbated by dust, so I can understand that the scope and extent of the repairs needed after the ceiling collapsed were more of a worry for them.

As I've already explained, UKI seems to accept that its failure to correctly diagnose the leak resulted in damage being caused to Mr and Mrs C's property. And considering the impact Mr and Mrs C say this had on them, I'm currently persuaded that UKI's error resulted, or at least contributed to, a considerable amount of distress, worry and inconvenience for Mr and Mrs C which required a notable amount of effort from them to sort out. With that in mind, I'm likely to say that £400 compensation is a fairer amount to recognise this.

Additional claim costs

Mr and Mrs C say that their claim with Company A hasn't been covered in full which has left them out of pocket, and they think UKI should reimburse them for this at an amount of £1612. But based on what I've seen so far, I disagree.

UKI is a separate entity to Company A and isn't responsible for its claim's decision. And it's my understanding that the additional cost of £1612 that Mr and Mrs C incurred was as a result of choosing to use their own contractors instead of those appointed by their insurer – not as a result of UKI's error. So I don't intend to direct UKI to reimburse Mr and Mrs C for these costs."

Both parties were given a chance to respond and provide me with any further comments and/or evidence they'd like me to consider before making my final decision.

UKI accepted my findings. Mr and Mrs C said that 8% interest should apply to all the compensation being paid. They also provided a copy of their 2024/2025 home insurance renewal quote from Company A. They said this showed a greater increase than what has been accounted for in the compensation for the likely impact on their future premiums. So they asked that this be considered when deciding a fair amount. I've carefully considered these comments before making my final decision set out 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.

The award of 8% simple per year interest on the £122.91 Mr and Mrs C paid in additional premiums was to reflect the cost of being *deprived* of that money in the *past*. Therefore, I didn't find this to be applicable to the compensation for their *future* premiums because those costs hadn't been incurred. Nor did I find it applicable to the compensation for distress and inconvenience as again, this wasn't awarded for money Mr and Mrs C were deprived of, but rather to recognise the impact of UKI's error on them in this case.

Therefore, my findings regarding this compensation remain unchanged. But in my final decision below, I've set out where further interest may be applicable on these amounts should UKI fail to pay the compensation within a set time period.

The reimbursement of the policy excess, plumbers' cost, dust extractor and storage box costs were agreed to be paid by UKI before the case came to me for final decision. And it was my understanding that UKI had already agreed to pay the applicable interest on compensation. But for the avoidance of doubt, I will set this out in my final decision below.

I've looked at the copy of Mr and Mrs C's most recent home insurance renewal invitation from Company A, and while I can see their renewal premium has increased, I'm not persuaded this is solely as a result of their claim. The renewal seems to suggest that Mr and Mrs C made changes to their policy in the last year which may have affected the last year's price and/or the price they will pay this year.

From the information I've seen, I'm not persuaded that these changes refer to the claim made in this case, as it's my understanding that the claim had already been factored into the 23/24 policy before it started, which likely led to the increased annual premium of £697.11 as set out in my provisional findings.

In any case, the renewal also sets out that over the past year insurance prices have gone up in the UK for various reasons, so this will likely be playing a part in any increase as well and that's not UKI's responsibility in this case. And while Mr and Mrs C have been given a *quote* for insurance renewal, arguably, they can still shop around to see if there are cheaper alternatives.

As set out in my provisional decision, calculating the compensation figure for the likely impact on future premiums in this case was never going to be exact, but rather based on

what I think is most fair on balance of the available information I've seen. With that in mind and taking into account Mr and Mrs C's further comments and all the circumstances of this case, I'm still satisfied the amount of £480 is fair and proportionate compensation for this.

My final decision

For the reasons set out above my final decision is that I uphold this complaint in part. If it hasn't done so already, UK Insurance Limited must now do the following to put things right:

- Reimburse Mr and Mrs C £450 for the policy excess, £90 for the plumbers' cost, £144 for the dust extractor and £32.97 for the storage boxes. UKI should pay interest on these amounts from the date the payment was made to the date it offered to settle these amounts at 8% a year simple.
- Reimburse Mr and Mrs C for the additional amount they had to pay on their home insurance renewal premium at an amount of £122.91. UKI should pay interest on this amount from the date the payment was made to the date of settlement at 8% a year simple.
- Pay Mr and Mrs C £480* for the likely impact of UKI's error on their future home insurance renewal premiums.
- Pay Mr and Mrs C a total of £400* compensation for the distress and inconvenience caused in this case."

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 13 June 2024.

** UK Insurance Limited must pay the compensation within 28 days of the date on which we tell it Mr and Mrs C accept my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.*

Rosie Osuji
Ombudsman