

The complaint

Miss P has complained about the way that Royal & Sun Alliance Insurance Limited (RSA) handled a claim under her home insurance policy.

References in this decision to RSA include its agents.

What happened

Miss P made a claim to RSA in July 2021 after a water leak in her kitchen caused damage. RSA accepted the claim. Miss P brought an earlier complaint to this service about the way RSA dealt with it. On 26 May 2023 another Ombudsman issued a final decision upholding the complaint.

RSA's tradesmen had put the kitchen contents in the bathroom for storage. Miss P told the tradesmen they would have to use welfare facilities at a nearby petrol station going forward. As the tradesmen couldn't work without welfare facilities on site, they withdrew from the job. RSA decided to cash settle that part of the claim. Miss P and her partner then did the work themselves.

In November 2023 Miss P complained to RSA again. Amongst other things she was unhappy with RSA's decorators using her toilet facilities, the amount she'd received by way of a cash settlement for the cost of redecoration, mould issues, the settlement for the kitchen and poor communication from RSA.

RSA said its tradesmen couldn't work without welfare facilities on site. It explained that it had offered a settlement of £1,639 plus VAT for the redecoration costs. It said it should have explained that it would only settle the VAT element upon receipt of a VAT invoice.

It said the property had been certified as dry in March 2022 by its restoration agent. It said that any mould in the property at that time was not related to the escape of water claim.

A settlement had been offered for the kitchen units. Miss P had asked to see the schedule of works on which this had been based. RSA said it was trying to get this and would send it on to her.

Lastly it agreed that since her claim had been passed to a different claim handler, there'd been less communication with her.

It said it would pay her £200 compensation for its failings.

Miss P brought another complaint to this service. Our Investigator recommended it be upheld. She thought RSA should arrange an independent inspection of the mould and if it was related to the water leak Miss P had claimed for, it should put it right. She also thought RSA should increase its compensation from £200 to £450.

RSA agreed. But Miss P didn't think the additional compensation of £250 reflected the impact on her health caused by the mould.

As the parties didn't agree, the matter has been referred to me.

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 can only look at how RSA has handled Miss P's claim from 26 May 2023 being the date of the earlier final decision and 3 November 2023 being the date of RSA's final response to Miss P's latest complaint. I am sorry to hear that Miss P has suffered serious health issues which she thinks have been caused by the stress of her ongoing claim.

I'll turn now to the substance of the issues I can consider in this decision.

Tradesmen using Miss P's bathroom

Ideally this issue should have been raised before work started. If Miss P had objected to other people using her bathroom at that stage, RSA could have hired a toilet because the workmen needed access to facilities on site. As Miss P and her partner decided to carry out the redecoration, there is no need for me to consider this further except that I'll take this into account when looking at compensation.

Cash settlement for redecoration

Miss P received less than she expected because RSA didn't include the VAT amount in the cash settlement. When an insurer settles a claim by cash, it's up to the consumer what they do with that money. Sometimes consumers get the work done for a lower cost than the cash settlement figure. That's means the VAT amount – if their contractor is VAT registered – is less too. Often at the time the claim is being settled, it's not known what the consumer intends to do with the money – or how much VAT that might generate.

Because of that we generally think it's fair for the insurer not to include VAT in the settlement. But we'd expect the insurer to pay the VAT added on to any insured work once the consumer has shown they've paid it. So I don't think RSA treated Miss P unfairly by not including VAT in the cash settlement. But it should have explained this to her at the time.

Mould

Miss P was concerned that there'd been further issues with mould in her home after it had been dried by RSA's restoration company. There have been some developments regarding this since the date of RSA's final response. It arranged for the mould to be inspected but didn't send a full copy of the report to Miss P. It has since told our Investigator that it has asked its supplier to send a full copy of the report to Miss P. I can understand her frustration with this. As she has received a final response from RSA concerning this, she may wish to refer a separate complaint to this service regarding that. I agree with our Investigator that RSA should carry out any remedial work required to get rid of the mould if it turns out to be related to the original water leak.

Kitchen settlement

At the date of RSA's final response it was chasing the scope of works which Miss P had requested in order to check what was included before deciding whether to accept the offer or not. I understand Miss P has now received this. I'll take into account the delay and inconvenience when looking at compensation.

Poor communication

Miss P complained that after a change of claim handler, her phone calls weren't returned and she wasn't kept properly updated about her claim. RSA accepted that this was a valid complaint.

Compensation

It's fair to say that RSA has made this claim worse than it needed to be for Miss P. But to its credit it has recognised that. It has paid or offered a total of £200 in compensation for its poor service during the relevant period. Our Investigator thought that should be increased to £450. Miss P didn't think that was sufficient in view of the impact of the mould and delay on her health. She has provided evidence that she suffers from asthma, shortness of breath and has had other chest problems. I'm sorry to hear of Miss P's health issues. As I haven't seen the recent report regarding the mould at Miss P's property, I don't know whether the mould is RSA's fault. But clearly the delay in resolving this issue can't have been good for her health.

Looking at the effect on Miss P of RSA's poor service over a period of five months or so, I think a total of £450 is appropriate in the circumstances for the trouble and upset it caused her during that time. It's in line with awards we've made in similar cases where the impact of a business's mistake has caused considerable distress, upset and worry over several months.

If Miss P has further concerns about the way her claim has been handled since 3 November 2023, she can raise these with RSA and if she's unhappy with the response, she can ask us to look at any new complaints.

Putting things right

To put things right I think RSA should :

- carry out any remedial work recommended following the independent inspection to get rid of the mould in Miss P's property if it was found to be related to the water leak Miss P had claimed for; and
- pay Miss P a total of £450 as compensation for trouble and upset (less any sum already paid in this regard).

My final decision

For the reasons set out above, I uphold this complaint and require Royal & Sun Alliance Insurance Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 2 October 2024.

Elizabeth Grant
Ombudsman