

The complaint

Ms H has complained on behalf of HRL, a limited company, about the way Covea Insurance plc handled a claim made under their buildings insurance policy.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- HRL owns the freehold of a building which is split into five flats, each of which is owned by a different leaseholder. Covea insures all parts of the building under the policy. Each of the leaseholders are beneficiaries of the policy, in relation to their individual flats and their share of the common parts.
- In October 2018, HRL got in touch with Covea to make a claim for damage to the building. Covea appointed a loss adjuster, S, to handle the claim. By June 2019, S accepted the claim on Covea's behalf. It said the damage had been caused by subsidence due to nearby trees and anticipated completing repairs by June 2020.
- A number of trees were thought to be contributing to the subsidence movement, including an Ash tree subject to a preservation order. The other trees were removed in September 2020, following which S monitored to establish the impact of the Ash tree alone.
- By March 2022, S said the monitoring showed the Ash tree wasn't causing subsidence damage and the property was stable. That meant repairs could be arranged. Whilst it noted there may be a delay repairing the flooded basement flat, it said repairs elsewhere could proceed. It set out an anticipated start date of July 2022 and completion date of September 2022.
- HRL complained in February 2023. It made a number of points, but in summary:
 - The focus of the complaint was about the delay since March 2022. Despite the timeline S had set out, repairs didn't begin until October 2022 – and hadn't been completed at the time of the complaint.
 - This meant at the December 2022 policy renewal, HRL was effectively forced to stay with Covea and couldn't consider other insurers.
 - And the premium charged by Covea was increased as a result of additional costs resulting from the delays – which was unfair.
 - S repaired damage to the upper part of the hallway walls, but not the lower half, as it said the damage was historic. Covea hadn't provided evidence to show this. HRL had the remainder of the work carried out for £1,848.
- Covea responded in April 2023. It accepted there had been avoidable delays and 'very poor' communications and offered £350 compensation per flat. It didn't agree to pay for repairing the remaining hallway damage as it maintained this was historic. It didn't answer the complaint about increased premiums.

- Our investigator thought the complaint should be upheld in part. She said Covea should pay 50% of HRL's costs to have the remaining hallway damage repaired. Whilst she noted significant avoidable delays, she thought the compensation offered was reasonable. And she thought Covea had increased the premiums fairly.
- Covea accepted this. HRL didn't and reiterated its main complaint points.
- Our investigator wasn't persuaded to change her mind, so the complaint has been passed to me.

My provisional decision

I recently issued a provisional decision in which I said:

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

- This complaint has been brought by HRL. So the scope of this complaint is limited to matters which impact HRL as a limited company and freeholder. Namely, the way the overall claim has been handled, particularly since March 2022, the hallway repairs HRL paid for, and the increased premiums – all up to the complaint in February 2023.
- That means events since February 2023 are outside the scope of this complaint. HRL is entitled to raise a further complaint about any such events if they wish.
- Each leaseholder is entitled to raise a complaint about matters which impacted them directly as individuals. That could include the particular distress and inconvenience and/or financial losses each suffered, including any issues that arose in individual flats. The scope of any such complaint may be limited by any previous complaints made by individual leaseholders about their own flats.
- I'll consider each of the matters within the scope of this complaint separately.

Claim handling

- Covea is required to handle claims promptly and fairly. That duty also applies to its agents and representatives, as Covea is responsible for their actions and inactions.
- Sometimes a claim delay is *unavoidable*. For example, where the impact of the Covid pandemic meant S was unable to progress matters. I wouldn't hold the impact of that kind of delay against Covea.
- However, some claim delays are *avoidable*. That is, they've arisen as a result of Covea, through its agents and representatives, failing to handle the claim promptly and fairly. I would hold the impact of this kind of delay against Covea.
- I would also hold Covea responsible for poor communication. Whether a delay was avoidable or not, Covea ought to ensure HRL receives timely updates. That includes an understanding of the likely next steps and an accompanying timescale for the remainder of the claim. And I would expect Covea to manage HRL's expectations well – by setting realistic timescales and fulfilling them, unless something unforeseeable and beyond its control makes that unachievable.

- Covea has conceded that it caused avoidable delays and communicated poorly. I think it did so in relation to the period March 2022 to February 2023, as that was the focus of HRL's complaint. But our investigator also found the same problems at earlier stages of the claim too, which Covea accepted. So it's not in doubt that Covea failed to meet its requirement to handle claims promptly and fairly. As a result, I think it should compensate HRL for the impact of that failure.
- When it offered compensation, Covea did so to each leaseholder individually. So I don't think the £350 each – or £1,750 in total – is within the scope of this complaint. If any leaseholder complained individually, their £350 would be within that scope of that complaint. I haven't seen that Covea offered HRL itself any compensation.
- That leaves open the question of whether Covea should pay any compensation directly to HRL – and, if so, how much. I bear in mind that HRL is a limited company, so it can't suffer distress. And any inconvenience suffered by the leaseholders is a separate matter. Within this complaint, I can only consider the inconvenience suffered by HRL as a result of Covea's delays and poor communication. And that's limited to any additional administration, over and above that which would have been required as a result of the claim, even if it was handled as it should have been.
- Taking all of this into account, and the way the claim was handled, I'm satisfied Covea should pay HRL £500 compensation.

Hallway repairs

- S carried out repairs to the upper part of the walls of the hallway as part of its schedule of work. So that area of damage isn't in dispute.
- After wallpaper was removed, HRL discovered crack damage to the lower parts of the walls of the hallway. It notified S and asked S to include this damage within its schedule of work or to pay for HRL's contractor to carry out repairs to this damage. The cost of the latter option was £1,848.
- S said this damage was historic because photos showed cracks had previously been filled. And this kind of cracking was common for the nature and age of the building and not indicative of subsidence – especially as the cracking hadn't been visible through the wallpaper.
- HRL questioned what evidence S had to support its position, particularly as it had agreed the cracks to the upper parts of the walls had been caused by subsidence. HRL thought it likely the lower cracking was connected to the upper cracking and caused by or at least exacerbated by the subsidence problem.
- There's been some discussion about whether S should have removed the wallpaper and checked for cracking at the time it created the schedule of work. But I don't think that's the key point here as the damage has been discovered and photographed and S has given its view on the cause of it. So S could have carried out repairs or paid HRL for the repairs, if it thought the damage was covered by the policy.
- Ultimately that's the question – is this damage covered by the policy? If this damage was caused by the recent subsidence problem, it should be covered. If it wasn't, Covea isn't required to cover it. Since our investigator's involvement, Covea has agreed to pay half of the cost of repair – which is £924. I'm satisfied that's a reasonable offer based on the information currently available. I'll explain why.

- The photos clearly show crack damage, including clear signs of having been filled previously. There's nothing to suggest they were filled since the subsidence problem began. So at least some of the cracking must have existed prior to the subsidence problem and therefore wasn't caused by it. However, given how close these cracks are to others that have been caused by subsidence, it seems plausible that they've worsened as a result of the subsidence problem. In these circumstances, I consider the 50% offer is a fair, pragmatic and proportionate way to resolve this matter.
- This is based on the information currently available. If HRL wishes to take professional advice about the cause of the cracking to challenge the 50% offer, its entitled to do so and share it with Covea for it to consider the matter further.

Premium increases

- HRL complained about premium increases – particularly at the 2022 renewal, given the delays caused. It noted that the claim should have been completed by that renewal, questioned the impact on the premium, and said it had been prevented from moving to other insurers.
- It was disappointing Covea didn't respond to this when it answered HRL's complaint.
- Had the claim been resolved by the 2022 renewal then yes, in principle, HRL could have considered alternative insurance providers. However, in my experience, with a recent subsidence claim on its insurance record – even a closed one – there's likely to be very few insurers prepared to offer cover. And it's unlikely they would offer competitive terms. So I think it's likely HRL would have renewed with Covea in any case. I haven't seen any evidence to suggest otherwise. So in practice I'm not persuaded HRL's options were materially restricted by the claim delay.
- During our investigation, Covea has said the premium was unaffected by whether the claim was open or closed. So the premium wasn't unfairly increased as a result of the claim not being closed at the 2022 renewal.
- But the premium may have been unfairly increased for other reasons – such as if the delays during the claim had led to increasing claim costs beyond that which would have been incurred, even if it was handled as it should have been.
- I've considered the increases in 2020 and 2021 and I'm satisfied they were reasonable. Whilst I can't go into a lot of detail due to the commercially sensitive nature of the reasoning for the increases, I consider they're in line with standard annual increases and typical increases following claims made on a policy.
- And at the 2022 renewal, there would inevitably have been a standard annual increase. Buildings insurance has generally been increasing by an average of 20%, so it's reasonable to expect an increase of that order here. Even taking that into account, Covea increased the premium by around £2,000 *more* than that. This seems to have been the result of loading the premium for further claim cost increases. This meant previous loadings were compounded by increasing claims costs – and those costs were, at least in part, likely the result of claim delays. In these circumstances, I'm not satisfied that treated HRL fairly.
- One could try to assess all claim costs and establish exactly which ones were brought about by delays and ask Covea to recalculate the 2022 without them.

However, that exercise would be very time consuming, particularly for Covea, isn't in keeping with the informal nature of this Service – and would only ever be an estimate in any case. So, in the interest of reaching a fair, timely and pragmatic resolution, I consider Covea should reduce the 2022 renewal premium by £2,000. Which means refunding HRL £2,000.

- Whilst the 2023 renewal is outside the scope of this complaint, I think it follows logically that Covea should also recalculate the 2023 premium after reducing the 2022 premium, and refund HRL accordingly. If HRL has any concern about the resulting 2023 premium, it's entitled to raise a complaint.

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.

- Covea responded to say it wouldn't dispute my provisional decision.
- Ms H said HRL accepted my provisional decision. She also said the claim remained outstanding, in part due to the reappearance of some of the cracking, and neither Covea nor S was responding to HRL about it.
- As both parties have accepted my provisional decision, I won't comment on it in detail. I remain satisfied it's a fair and reasonable outcome for the reasons given.
- Events after February 2023 are outside the scope of this complaint, so I can't consider them within this decision. But I would expect Covea to take reasonable steps to try to resolve matters to avoid a further complaint – particularly given how long the claim has been going on for and Covea's own admission that it's caused avoidable delays and provided 'very poor' communication before. If Covea doesn't resolve matters to HRL's satisfaction, it's entitled to raise a further complaint and refer it to this Service.
- Similarly, leaseholders are entitled to raise complaints about matters which impacted them directly as individuals, and refer them to this Service. As noted above, previous complaints by individual leaseholders may limit the scope of their own complaints.

My final decision

I uphold this complaint.

I require Covea Insurance plc to:

- Pay HRL £924 for the hallway repairs.
- Pay HRL £500 compensation.
- Recalculate the 2022 and 2023 premiums as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask HRL to accept or reject my decision before 5 August 2024.

James Neville
Ombudsman