

The complaint

Mr B complains about the way Royal & Sun Alliance Insurance Limited handled a claim he made following a fire in one of his outbuildings.

What happened

In January 2023 there was a fire in one of the outbuildings on Mr B's property. He made a claim for the damage on his home insurance policy. RSA was taking steps to validate the claim and in August 2023, it responded to a complaint made by Mr B about delays in how the claim was progressing. RSA said given the nature of the incident and the potential costs involved, it was taking steps to validate the claim, and it would continue doing so. It didn't accept it had caused any unnecessary delay.

Mr B referred his complaint to the Financial Ombudsman Service, regarding the delays. He also said that since April 2023, he'd been without insurance, as RSA had refused to renew his policy based on the outstanding claim.

Having referred his complaint here, RSA continued to progress matters and accepted the claim. It asked Mr B to provide quotes for the reinstatement of the outbuilding, which he did. The quotes he provided were for around £250,000. RSA reviewed these and after enquiries provided Mr B with a few options. They were to reinstate the property, or cash settle the claim for £125,000. Or, it said it would allow Mr B to instruct his own contractor, but it would appoint its own surveyor to ensure the scope of works and pricing were correct and returned the outbuilding to its pre-loss state.

Unhappy with these options, Mr B raised a further complaint which RSA responded to in January 2024. RSA was satisfied it had reached a fair position on its offer, based on the available evidence it had. It said it wouldn't increase this offer until an estimate is obtained to return the outbuilding back to its original specification along with proof that planning approval would not be required. It was also satisfied its amount was fair to cover the cost of rebuilding the barn to the standard it was in prior to the incident.

RSA also reiterated its offer to reinstate the building for Mr B. Or said he could use his own contractor, with RSA appointing its own surveyor to ensure the scope of work and pricing is correct and that the works are completed to the same specification.

Mr B said the claim had taken too long, and he'd been left to clear much of the site himself, which was posing a danger to his young children. He said the delays in the claim had been very detrimental to his mental health. He didn't want RSA to be involved in the reinstatement of the property, given the issues he'd already faced. He was also very concerned that he hadn't had insurance cover since April 2023, as RSA hadn't renewed his policy. He said the stress of having his property uninsured had had a big impact on him.

An Investigator at this Service considered both complaint responses under one complaint. After Mr B brought his complaint to this Service, in December 2023, RSA agreed to provide cover for Mr B's home and a new policy was set up.

Our Investigator didn't think RSA had treated Mr B fairly. He said RSA hadn't shown that its offer of £125,000 would reinstate the outbuilding, and so it should increase its offer to match the quotes Mr B had provided. He also said whilst RSA were reasonable in taking steps to validate the claim, it took too long to initially attend the site, and didn't proactively progress the claim. He said as it took so long, Mr B levelled the site himself, which had caused Mr B unnecessary distress. The Investigator recommended RSA pay £600 compensation to reflect the impact of its poor handling on Mr B.

Mr B said he didn't think the compensation was reflective of the stress he'd endured, as he'd been unable to work for around four months, so had incurred a loss of earnings. But overall, he said he'd accept the outcome to get matters resolved. Mr B later said he didn't want to pursue any payment for distress and inconvenience, he would return to that later; he just wanted the claim paid.

RSA said it didn't accept the outcome of the Investigator. It said under the policy it would pay to reinstate the barn to its pre-loss condition. But it was aware Mr B had plans to convert the barn into a dwelling before the fire had happened. It said doing this now would be betterment, and not something covered by the policy.

As an agreement couldn't be reached, the matter has come to me to decide. In June 2024, I issued a provisional decision on this complaint. A copy of what I said is below.

As this is an informal service, I'm not going to respond to every point or piece of evidence Mr B and RSA have provided. Instead, I've focused on those I consider to be key to determining the complaint. But I would like to assure them I have considered everything provided.

Having reviewed matters, I'm minded to reach a different outcome to that of our Investigator. I'm minded to find that RSA has made reasonable offers to settle the claim, and so doesn't need to pay the quote provided by Mr B. However, I'm minded to award Mr B £1,000 compensation for RSA's service failings. I've explained why below.

In the event of a claim, Mr B's policy covers him for repair, reinstatement or replacement. And it gives it the right to decide what it offers to indemnify a customer, like Mr B, under the policy.

I don't agree with our Investigator that because RSA hasn't evidence £125,000 is a fair offer, it should pay Mr B's quotes. Because ultimately, RSA is entitled under the terms of the policy to choose how it settles the claim and, here, RSA has said it can reinstate the barn to a pre-loss condition. So that, on the face of it, is a reasonable offer. Or it said Mr B could choose his own contractor and it will appoint a surveyor to oversee the costs and scope of works to ensure the building is reinstated to its pre-loss state. Its concern being that Mr B may choose to turn it into a dwelling, which wouldn't be covered under the policy. I accept the policy is there to indemnify a customer, meaning they should be put back in the position they had been in previously. So converting the barn to a dwelling wouldn't be covered under the policy.

So I think RSA's offer of Mr B appointing his own contractor and overseeing the works is also, on the face of it, a fair one.

Mr B says he doesn't want to accept that, as RSA has already caused unreasonable delays in progressing the claim, and having it involved going forward would only add to that. I think it's important to set out that if a customer does request a cash settlement, rather than a reinstatement, a business will usually agree. It is in the terms of RSA's policy that cash can be offered rather than reinstatement. But the terms make clear that when this is requested

by a customer, it will do so based on what it would have paid its contractors to complete the works. And because RSA is likely to have discounted rates agreed with its contractors, it's likely that the cost to RSA of carrying out the work will be less than the market rates available to Mr B. I understand Mr B's reasons for not wanting RSA to do the work, but I'm not persuaded it's fair – in the circumstances of this case – to ask it to cover the quotes he's provided, outside of its policy terms.

Mr B says RSA delayed the claim and had been working against him, so I've reviewed what has happened since the claim was made. I can see it took around nine months for RSA to accept the claim. Some of this I consider to be unavoidable. RSA wanted to make enquiries with Mr B and the fire service as to how the fire started, it also considered it necessary to speak to a worker who'd been assisting Mr B on the day of the fire. Unfortunately, it wasn't able to make contact with the worker. It also seems to have taken some time for Mr B to provide a witness statement. Whilst these steps did delay the claim, all of these are reasonable steps bearing in mind the likely costs in accepting this claim.

That being said, there were periods where I can't see RSA was moving things forward as it should have. From RSA's notes there was a two-month period where it was waiting to contact the worker – I think this could have been progressed more efficiently. And having accepted the claim in October, apart from asking Mr B for quotes, it doesn't seem RSA was doing much to progress matters to a resolution until it made its offer in November 2023. It didn't respond promptly to Mr B's quotes and asked for information in a haphazard manner from what I can see. From reviewing the timeline of events, I think RSA likely caused avoidable delays of around three months from when the fire happened to the offer was made. I've thought about that in terms of awarding compensation (which I'll come to later). But it doesn't persuade me that it would be fair and reasonable for me to direct RSA to settle at Mr B's quotes.

Mr B has raised other concerns about RSA's handling of matters, he said the site was unsafe, and he was left to sort that out, including levelling the site. He says he was worried about his young children and pets being around the damaged building. It seems accepted that by the time RSA attended, around three weeks after the fire had happened, the safety fencing was already in situ, arranged by Mr B. Mr B says he then cleared the site around May 2023, after numerous people had attended the property but the claim hadn't progressed.

The difficulty is, I can see why RSA hadn't agreed to clear the site at that point, as it was making fair enquiries to validate the claim. So any costs incurred in clearing the site would have been passed on to Mr B in the event of it declining cover. And given there was safety fencing already installed by February 2023, I don't think it's unreasonable for it to not provide any more assistance whilst it was investigating matters.

I can appreciate Mr B's reasons for wanting the site cleared, it doesn't seem to have prejudiced RSA's position, from what I've seen he told RSA he'd be doing the works before going ahead. And this clearing of the site is covered by his insurance policy. My understanding is his invoice for the fencing and site clearance has been provided to RSA, and it seems to me that RSA did agree to those costs. I can see RSA in December did ask for some further information from Mr B around VAT invoices for the work. It is unclear to me if this is now resolved. So if it hasn't done so already, RSA will need to reimburse Mr B what he paid for the make safe works, including erecting the fencing and clearing the site, plus 8% interest from the date he paid for those works until the date of settlement.

Turning to RSA's offer of £125,000 to cash settle the claim. I'm not satisfied it has evidenced that it could reinstate the barn to a pre-loss condition for that amount. It hasn't provided any schedule of works of costings in support of this. It says it didn't appoint a surveyor initially to

cost the repairs as it would have needed to involve appointing an architect as well as the surveyor. It said the fees could potentially have been around £30,000, which in the event that policy liability was not admitted these costs would be for Mr B to fund. I accept that might be the case. But once it accepted liability, around October, it still doesn't appear to have taken steps to provide an estimate for the costs, although I can see it did have an architect provide an opinion on the planning permission elements.

However, Mr B's estimated costs of around £250,000 aren't persuasive either. The quotes don't provide much detail as to how the costings are worked out for what they are for. For example in one of the quotes it quotes £138,000 for:

"all Carpentry internal/external/doorways/cladding & roofing".

This seems to me a high amount to quote without any estimate of the amount of cladding that will be used, or the cost of the wood etc. There is no other detail to support this large cost.

Roofing is then also listed as being £38,000. Mr B was asked if his own roof tiles were still being used, to which he replied they were, but this isn't set out in the quote.

RSA asked for more detail, the quote was broken down a bit further, but there was still no costings provided for how much material would be needed, and the cost of that to justify the price quoted.

So having considered matters from both sides, I'm also not persuaded it's been shown that reinstating the barn to a pre-loss condition would cost more than the £125,000 offered by RSA. So whilst it hasn't shown that was a fair offer, Mr B hasn't shown its unreasonable such that it will leave him out of pocket. Importantly for me though, RSA wasn't insisting on settling in cash and its offer of £125,000 was put forward as one of a number of options available to Mr B. With all that in mind, I think that its proposal for settling Mr B's claim, repeated in its complaint response, was fair and reasonable. So I'm not currently minded to ask RSA to do anything differently in this respect; Mr B will have to choose how he wishes to progress the claim.

If Mr B is able to provide more detail from his preferred contractor, such as a schedule of works which provides more specific detail of the build, such as quantity and cost of materials needed and labour rates, I'd expect RSA to review it. But ultimately, if Mr B wants a cash settlement, RSA will only need to pay him what it's established it would have cost it to reinstate.

Moving onto the renewal of the policy. Mr B says in April 2023, his broker told him RSA could no longer provide cover, due to his ongoing claim. Unable to find insurance elsewhere, Mr B was left without any cover for his property, until December 2023 when RSA agreed to reinstate the policy. This Service has asked for RSA to provide more information about why the renewal was declined. It mentioned the broker may have more detail. I consider the decision not to offer renewal, is an insurer one, so I think it right that the failure to provide cover be looked into against RSA.

I'm not satisfied it treated Mr B fairly in this regard. It hasn't been able to justify a reason for refusing renewal to Mr B, in fact it hasn't provided much detail on it at all. It also hasn't confirmed whether it has agreed to backdate Mr B's cover to April 2023 or whether it treated the policy as new in December 2023. Fortunately, for Mr B, he hasn't said he had cause to make a claim during the months he was without insurance. But I can understand that the thought of not having any insurance cover caused him a great deal of worry, at a time when he already had a claim ongoing with RSA. Whilst I'm pleased to see RSA has now sorted

this issue, I can see Mr B raised concerns about this for months before RSA took any action, and it still hasn't provided a justifiable reason for that.

Mr B says the claim, and dealing with RSA, and one person in particular, has caused him a great deal of stress which has had a significant impact on his health and wellbeing, he's shared some information from his GP around medication he'd been prescribed, which he says is as a result of RSA's actions. However, he has recently said he doesn't want us to consider his claim for any losses, financial or non-financial, in this respect. But Mr B has brought his complaint to this Service for an independent review, so it is incumbent for me to consider this as part of my review.

I've no doubt this has been a stressful time for Mr B, he's anxious to have the claim concluded and to move forward. And I can see there are certainly areas where RSA could and should have provided a better Service. But I also have to consider that there will always be a degree of frustration and stress involved in making a claim, and there was a fire at Mr B's property, a stressful event in itself. But RSA isn't responsible for any of the worry that comes with that, that is an unfortunate, but inevitable, part of having damage to a part of your home.

I'm not satisfied RSA always progressed matters as quickly as it could have done. But I am satisfied that it was entitled to carry out the investigations it did to validate the claim, even if those caused Mr B additional worry. I've also reviewed the contact from between Mr B and RSA's employees, it did at times ask for information he'd already provided, which is understandably frustrating. But overall, I'm not satisfied it was working against him, after making enquiries on the quotes he submitted, which I think were fair to make, I think it's gone on to make a reasonable offer. Whilst it took around ten months from the fire to do so, I'm minded to find that only around three of those were avoidable delays. But based on what I've seen so far, I think RSA unfairly declined to cover Mr B for his property in April 2023 when it should have done. And its failure caused a great deal of worry to Mr B. So having considered all of the above, I think RSA should compensate Mr B £1,000 for the unnecessary distress and inconvenience caused. It should also, if it hasn't already, treat the cover as if it was continuous from April 2023.

Mr B has said he's been unable to work, due to health concerns, for a number of months. He hasn't provided any evidence of that for me to take into account, as he's said he no longer wants to pursue it. If, having received this provisional decision, he wants to provide more information, I'll consider it before reaching a final decision. However, I'm not currently minded to find in his favour in this respect. Whilst I don't doubt what he has told us about not being able to work, he's said this was due to RSA's handling of the claim and its unfair settlement offers. But I'm minded to find its settlement offer to be fair. And whilst there were some parts of the claim handled poorly, I'm not minded to find that those alone likely impacted his ability to work for the period he's referenced.

My provisional decision

I'm minded to uphold this complaint in part as it's my view that Royal & Sun Alliance Insurance Limited has made reasonable offers to indemnify Mr B, based on the evidence it has. But, for the reasons explained above, I intend to require it to:

- *Reimburse Mr B what he paid to clear the site and erect safety fencing, plus 8% simple interest from the date he paid the invoices, until the date of settlement (if it hasn't done so already).*
- *If it hasn't already, backdate Mr B's insurance policy to start in April 2023, so he benefits from continuous cover.*
- *Pay Mr B £1,000 compensation for unnecessary distress and inconvenience caused.*

If Royal & Sun Alliance Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Responses to my provisional decision

RSA didn't provide any further information to consider. The only point it made was that it was its understanding that Mr B was seeking to take matters to court.

Mr B made, in summary, the following points:

- He doesn't want to use this Service to pursue compensation, as he'd like to do that through the courts.
- He hasn't received any payment from RSA for the clearing of the site and make safe works.
- Being governed by his insurance company for the rebuild wasn't something that he wanted and the planning permission was used by RSA as a way to stall matters.
- £125,000 was not a fair way of moving on.
- The quotes he's now provided are a year old, so they are out of date. But his preferred contractor would be willing to proceed with a 5% uplift on the quote previously provided.
- RSA hasn't provided any support, such as appointed an expert to cost the repairs and this has led to severe health concerns.

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.

As there has been mention of litigation and Mr B reiterating that he doesn't want me to consider compensation, I can only repeat what I set out in my provisional findings. Mr B has come to this independent Service for an impartial view on his dispute with RSA. And we are an alternative to the courts. It isn't for him or RSA, to dictate the terms in which we investigate matters. Mr B doesn't have to accept my final decision; if he doesn't it won't be legally binding on him or RSA. But he can't choose to accept some parts of it and not others; that isn't how the rules that govern our Service work.

In relation to the site clearance costs, RSA hasn't provided any dispute to my provisional findings that it should reimburse Mr B what he paid to clear the site. Nor has it given me any further information to consider on this point. Mr B has said no payment has been made to him. He's provided the following information regarding what he spent:

- £3,500 +VAT for the hire and labour for two weeks work.
- Skip hire at £575+VAT.
- Hardcore and level site clearance at £2,304.

I can see from RSA's file that it had received an invoice for plant hire costs of £1,494.60. It didn't query this amount or ask for any more information, so I can't see why it didn't settle this invoice in December 2023. So it should now settle that amount.

It seems to me that amount is part of the £3,500 Mr B is now claiming for, with the remaining £2,000 being claimed for labour costs. However, I can't see that the labour costs have been

fully considered by RSA, or a response been given to them. The only reference to the costs I have is RSA querying the invoice for the level site clearance. So if Mr B was charged labour costs, he'll have to provide evidence of that to RSA to consider. It wouldn't be fair for me to make a decision on this without it having had that chance to consider the relevant evidence first.

Mr B has quoted £575 for skip hire, in the absence of any comments from RSA – and, in contrast to what I said above, I note this amount was already provided to it by Mr B. So it's had ample opportunity to provide a response but hasn't. So RSA will now need to settle this amount. However, as is our usual approach, RSA will only be required to settle the VAT element of that upon presentation of a VAT invoice showing that it has been incurred.

With regards to Mr B's quote of £2,304, this amount was provided to RSA; Mr B sent a screenshot of his bank account showing that payment. It seems RSA asked some further questions on this amount, it asked for the invoice to support the sum. I can't tell from its file whether it ever sought to resolve the matter, or if an invoice was provided by Mr B. However, on balance I'm satisfied that Mr B did clear the site, and this cost, and the cost for the skip incurred seems consistent with what would be needed to clear a site like the one in question. And I can see that a number of months passed between Mr B requesting reimbursement, and RSA asking him for any further information. So, in order to bring things to a quick resolution and bearing in mind RSA hasn't provided a response to my provisional decision relating to reimbursing Mr B's costs, I'm going to require it to pay the £2,304 Mr B paid for the level site clearance and hardcore.

So for the works Mr B carried out to clear and level the site, RSA will need to pay a total of £4,373.60 (£1,494.60, £575 and £2,304). And as Mr B has now unfairly been without these funds for a substantial amount of time, RSA will need to add 8% simple interest per annum onto any amount I've awarded, from the date that the information was provided to RSA, until the date of settlement.

I appreciate Mr B doesn't want to be governed by RSA with the rebuild, but as set out in my provisional decision, the terms of the insurance contract he entered into with RSA say that it can choose how it decides to indemnify a policyholder. Put simply, Mr B can't choose a cash settlement, based on his own rates, when RSA has offered to carry out the works to reinstate the barn itself. I'm not satisfied RSA used the planning permission to stall matters, I think it had a reasonable concern, or question, as to whether Mr B was seeking to reinstate the barn as it was (as is covered under his insurance policy) or convert it into a dwelling. I don't consider it was unreasonable for looking into this.

I said in my provisional decision that Mr B's quotes aren't persuasive as they are lacking in detail as to how much material will be needed, the cost of that material, and the labour rates that will be used. I said if Mr B receives a more detailed quote, I'd expect RSA to consider it, but based on what it has so far, I'm not satisfied it has acted unfairly. In response to the provisional decision, Mr B has provided the more detailed quote I've already seen and discussed in my provisional findings, I've no reason to change my position on that. I note Mr B's point about RSA appointing someone to cost the works, however I'm satisfied that it has made reasonable offers to indemnify Mr B under the policy, so I'm not now going to require it to appoint someone.

Following my provisional decision, Mr B has now provided a quote I've not seen before, dated June 2024, from a different contractor, who I'll refer to as A. A's quote is much more detailed, and has costs for various works broken down. I'm unclear if Mr B has provided this to RSA. If he hasn't, he should do so, and RSA should consider it, and provide Mr B a response as to whether it would be willing to increase its cash settlement offer as a result. I'm not going to consider it here, as I can't see that RSA has had a chance to comment on it,

and I can only review matters which RSA has had an opportunity to respond to. So having considered matters, Mr B's comments made don't persuade me RSA had acted unfairly in making an offer of £125,000 to cash settle the claim, based on the information it had from him.

Having considered matters again, I still consider RSA failed to properly assist Mr B with his insurance renewal, and it hasn't provided a reasonable explanation. So I see no reason to depart from the findings I set out in my provisional decision in this regard. So it will need to treat his insurance policy as if its been running since April 2023. It also needs to compensate Mr B £1,000 for the unnecessary worry it caused him through not having insurance, at a time his high value claim was ongoing.

Following my provisional decision, Mr B hasn't provided any further information supporting his absence from work. I understand his reasons why, but that doesn't mean I shouldn't issue a finding in this respect. As Mr B hasn't evidenced a loss I'm not going to ask RSA to pay anything for the period Mr B says he was unable to work.

My final decision

My final decision is that Royal & Sun Alliance Insurance Limited has made reasonable offers to indemnify Mr B, based on the evidence it had. But, for the reasons explained above, I require it to:

- Reimburse Mr B the £4,373.60 he paid to clear the site, plus 8% simple interest per annum from the date he paid the invoices, until the date of settlement.
- If it hasn't already, backdate Mr B's insurance policy to start in April 2023, so he benefits from continuous cover
- Pay Mr B £1,000 compensation for unnecessary distress and inconvenience caused.

Royal and Sun Alliance Insurance Limited must pay the compensation within 28 days of the date on which we tell it Mr B accepts 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.

If Royal & Sun Alliance Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 August 2024.

Michelle Henderson
Ombudsman