

The complaint

Mr P complains about the time it took U K Insurance Limited trading as Direct Line to deal with his claim for damage caused by a leak, and the distress and inconvenience it caused by its mishandling of the claim.

What happened

In August 2023, Mr P's tenant discovered a leak in the kitchen of the insured rental property, which had also spread to the living room. Mr P let his insurer, Direct Line, know about the leak. It sent its appointed agent to visit the property and obtain images and video footage of the damage so that this could be reviewed and the claim could be validated.

On review, Direct Line accepted the claim and Mr P obtained quotes from contractors to reflect the work required, as well as for alternative accommodation and storage. Mr P sent these quotes to Direct Line.

Direct Line arranged a visit to the property which was originally agreed for the end of November 2023 but ended up taking place in December, during which it made an initial verbal cash settlement offer of £3,000. Mr P rejected this offer. Direct Line made a new increased offer of around £11,000 in writing on 13 December 2023.

Mr P rejected the second offer because he said it still didn't reflect the cost of the works required to reinstate the property back to its pre-water leak condition. Direct Line later revised this offer, once a further site visit had been undertaken to complete a scope of repair, to over £6,000 – explaining that its contractors had confirmed they could carry out the repairs for this amount. It sent a copy of the scope of repair to Mr P, who again rejected the offer of settlement.

In January 2024, Mr P made a complaint. He said, in summary, that the time taken to settle the claim had been excessive, the lack of proper drying had failed to prevent further and ongoing damage to the property, there were items missing from the scope of works provided, and that the settlement offers were too low for the work required.

He also raised concerns that a contractor had been appointed without his consent, and that the costs for alternative accommodation and storage hadn't been included in any settlement offer. Direct Line said, in its final response to Mr P's complaint, that the initial offer of £3,000 which was made on site on 11 December 2023 was given in error, as its system had failed to pull all the relevant costs through – but it said that this was rectified on 13 December 2023 when the increased offer was provided in writing.

It also said the estimate provided by Mr P was excessive at over £22,000 as the kitchen units were undamaged and so they could be refitted. And that other items quoted for were also not damaged according to the footage Direct Line had reviewed. It also rejected Mr P's second estimate at over £24,000 as it said that was also too high.

It clarified that accommodation and storage costs would be considered separately once the duration of repairs was known, and said it hadn't identified any avoidable delays. But it did

accept its service fell short of the expected standard at times and offered Mr P £200 for the inconvenience caused.

Mr P didn't accept Direct Line's response, so he referred his complaint to this service, saying the estimates he provided were from reputable contractors and didn't include any unnecessary work. He said he didn't agree that the existing kitchen units should be re-used and he also said that Direct Line's handling of the claim had had a detrimental impact on his wellbeing and quality of life, and had worsened his pre-existing health issues.

Our Investigator considered the complaint, but didn't think it should be upheld. He said, among other things, that he couldn't see any reason why the existing units couldn't be reinstated and that Direct Line's latest offer was fair, because it reflected what it would cost its own contractors to carry out the necessary work.

Mr P didn't agree with our Investigator and asked for an Ombudsman to review the matter. So the complaint has now come to me to decide.

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 this is an informal service, I'm not going to respond here to every point or piece of evidence Mr P and Direct Line have provided. Instead, I've focused on those I consider to be key or central to the issue in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm not upholding this complaint. I'll explain why.

Settlement of the claim

The crux of this complaint involves the various offers made by Direct Line for reinstatement of the property, which Mr P says don't adequately cover the works required. One of the key differences between the estimates provided by Direct Line's contractors and Mr P's contractors is the issue of the kitchen units – which Direct Line's contractors have said can be re-used as they weren't damaged by the leak.

Mr P disagrees with this and says his contractors have told him they cannot guarantee safe removal of the units so have quoted for new units throughout. Having considered the available information, including all the quotes and the images of the kitchen, I don't consider there's sufficient evidence for me to agree that there's water damage to the kitchen units and that the existing units can't be put back once the repair works are complete. I say this because the photos don't persuade me that the units were damaged by the leak, and the quotes provided by Mr P only include removal of the kitchen and fitting of new units, but there's no commentary alongside either of those quotes about the possibility of reinstating the existing units or the level of damage they've sustained.

And having considered the quotes together with the photos of the damage, I can't say it's unreasonable for Direct Line not to have included items which appear undamaged.

Mr P's policy says, under the definition of "Reinstatement Basis", that Direct Line will reinstate the property in a way that's preferred by consumer, as long as their liability isn't increased. And I can see Direct Line has given Mr P the choice of whether to use its contractors – who have said they can reinstate the property for £6,147.02 – or his own contractors. Either way, the policy makes clear that Direct Line does not have to pay Mr P

more than it would cost its own contractors to carry out the work. And I also haven't found it unusual for Direct Line to have said further costs will be considered once the flooring is lifted.

Overall, having looked at the offers to date, the schedule of works and the estimates provided, I consider the increased offer of £11,316.46 net of the policy excess to be fair and reasonable in the circumstances, because this amount exceeds the cost to Direct Line of carrying out the work using its own contractors. So I'm satisfied Direct Line has met its obligations under the policy with this offer.

Claim Handling and Delays

In this decision I've considered events prior to the date of the final response letter dated 21 March 2024. As our Investigator said, any further issues following this date would need to be raised with Direct Line as a separate complaint.

Mr P says it took four months for Direct Line to visit the property following the leak. And that he had been advised that it should've taken place much sooner and that drying equipment should've been installed with the tenant being rehoused, but none of this happened.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should handle claims. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). ICOBS 8.1 says an insurer must handle claims promptly and fairly. I've kept this in mind when considering how long Direct Line took to progress the claim.

Looking closely at the timeline of the complaint, I can't see there were any unreasonable and unavoidable delays during the time period I've considered. The damage was reported in August 2023, an estimate was requested from Mr P and this was chased in September and again in October. A visit was due to be arranged in November, but this ended up taking place in December, when an offer was made in person. I agree that this offer was unacceptable and Direct Line has also accepted that it was erroneous, which I'm satisfied it's considered when reaching its view on compensation.

Following this, I can't see that there were delays which weren't a direct result of the disputes over the reinstatement costs. And I've not seen any expert evidence to suggest that Direct Line should've employed a drying company and carried out a water mapping test, so I haven't found that it's acted unreasonably by not doing so.

Storage costs

Direct Line asked Mr P to send evidence of storage costs and it would consider these separately to its current offer. Mr P says this is unreasonable.

I note that Direct Line have said that items can be stored in the property as the property will be empty during works and contents could be stored upstairs. So there is some evidence to suggest external storage isn't required. However, I find Direct Line's offer to consider storage costs upon receipt of evidence of those costs, to be reasonable.

I can see Mr P has included quotes for storage in his submissions to this service and has said he's sent these previously to Direct Line, so I'd expect Direct Line to consider these fairly without undue delay, subject to the policy terms.

Alternative accommodation

Direct Line has said it will discuss any alternative accommodation costs with Mr P, so it wouldn't be appropriate for me to make an award when these discussions haven't yet taken place. I note that the policy states cover in relation to alternative accommodation is with Direct Line's consent – so I'm satisfied there needs to be an agreement in relation to alternative accommodation for Mr P's tenant.

Mr P has provided some evidence of costs for rehousing his tenant, so I'd expect Direct Line to consider these costs and engage in a meaningful discussion with Mr P about them. Mr P should note that costs will only be paid once repairs are ready to be carried out and the likely timescale for those repairs has been determined.

Data subject access request

Mr P says he made an information request which Direct Line responded to, but that the file provided was incomplete. I don't have enough evidence that the full file hasn't been sent to Mr P, as the information I've seen from Direct Line suggests it was. But Mr P can raise this issue with the Information Commissioner's Office if he remains unhappy.

Distress and inconvenience

Mr P has said this ongoing situation has caused the worsening of existing health issues such as cardiac problems, high blood pressure, increased heart murmurs, stress and anxiety. I'm sorry to hear of the significant health issues Mr P has experienced and I don't doubt the substantial toll these have had on him while this claim has been ongoing.

However, I'm afraid that as I haven't agreed that the initial offer of over £11,000 was unfair or caused an unnecessary delay, I also don't consider Direct Line to be responsible for the impact that the ongoing communications and disputes about the settlement had on Mr P. I appreciate the earlier offer required Mr P to make further representations to obtain a fair settlement, but claims of this nature are never going to be completely hassle-free. And I think Direct Line has offered fair compensation for its errors.

I consider the £200 offered in March 2024 for the various issues Mr P had experienced with the claim, including unclear communication, to be fair and reasonable in the circumstances. This offer reflects the fact that the claim caused Mr P more than the ordinary levels of frustration that one might reasonably expect from a claim – and that there were some errors which required reasonable effort to sort out. I accept that the impact of Direct Line's handling of the claim was more than just minimal and caused Mr P distress and inconvenience. So I think it was right for Direct Line to offer this amount of compensation.

I've read all the submissions Mr P has made in response to our Investigator, as well as the recent email communications between them. Mr P has gone into considerable detail about the costs involved in reinstating the property, but these are Mr P's own views and not the views of an expert, for example. So the information Mr P has provided hasn't changed my mind. I still consider there to be enough evidence here to indicate that the offer provided by Direct Line is sufficient to reinstate the property back to its pre-damage condition, which is what the policy provides for. So, whilst I'm sorry to disappoint Mr P, for the reasons given, I don't consider Direct Line has acted unfairly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 April 2025.

Ifrah Malik
Ombudsman