

## The complaint

Mr D has complained about the settlement offered by Lloyds Bank General Insurance Limited trading as Halifax (Lloyds) for a claim under his home insurance policy.

## What happened

Mr D had a water leak at his property. He arranged for a plumber to stop the leak. He also contacted Lloyds to make a claim. Lloyds assessed the claim and carried out drying. Mr D said he wanted a cash settlement as he would be carrying out other work at the property.

Mr D was unhappy with the cash settlement Lloyds offered for the damage. Lloyds looked at the claim again and revised its offer. Mr D was still unhappy with the settlement offered as it was considerably less than the quotes he had obtained to do the work. He wanted a breakdown of how Lloyds had calculated the cash settlement. Lloyds said it could carry out the repairs but, as Mr D wanted a cash settlement, it would only pay the amount it would have cost Lloyds to do the work.

When Mr D complained, Lloyds said its cash settlement offer was in line with the policy terms and conditions. However, it said it was disappointing that there were difficulties in progressing the claim, including that a revisit was required, after which the cash settlement was increased. It offered £150 for the inconvenience caused to Mr D.

Mr D wasn't satisfied with Lloyds' response, so he complained to this Service. Following this, Lloyds reviewed the claim again, including some information about Mr D's personal circumstances it hadn't previously been aware of. It increased its compensation offer to £300. It also said it would pay 8% interest on the trace and access costs because it hadn't paid it. Our Investigator put this offer to Mr D, but he declined it and asked this Service to review the complaint.

Our Investigator looked at what had happened and upheld the complaint. She said it was fair that Lloyds offered a cash settlement based on the amount it would have paid to carry out the repairs. She also identified some additional items in Mr D's quotes that weren't covered by the claim. So, she said Lloyds didn't need to pay for those elements. However, she said the settlement should include the costs of fitting the carpet and repairing the concrete floor, which Lloyds hadn't included. She also said Lloyds should pay interest on the cost of the trace and access work Mr D had paid for and that it should pay its increased offer of £300 compensation.

Following this, Lloyds said it thought the concrete floor was included in the trace and access costs. Mr D confirmed that the concrete floor hadn't been repaired following the trace and access. He also still disagreed with the amount Lloyds offered for the claim overall and what it was offering for the carpet. So, the complaint was referred to me.

I issued my provisional decision on 10 June 2024. In my provisional decision, I explained the reasons why I was planning to uphold the complaint. I said:

*I've looked at the policy documents, these explained how Lloyds would settle a claim. It said:*

*“If we accept your claim, there are a few ways we can look to put things right.*

- We’ll try to repair the damage.*
- If we can’t repair, we’ll try to replace.*
- We may pay a cash settlement instead”*

*So, it was for Lloyds to decide how to settle the claim and this would normally be it carrying out a repair. However, Mr D didn’t want Lloyds to do the work because he wanted other work carried out at the same time. Lloyds agreed to pay a cash settlement, but this didn’t mean it had to pay this based on the amount it would cost Mr D to repair the damage.*

*The policy said:*

*“We use other companies (who we call suppliers) to repair or replace your things, and to repair or rebuild your home ...Where we use suppliers, we might get discounts. We will use their cost to us when settling claims”.*

*So, the policy said Lloyds would use its suppliers’ costs to settle the claim. I’m aware Mr D has said his contractors have told him they don’t think it is possible to do the work for the amount the suppliers have quoted. I don’t think this is unusual. Insurers can often get discounts with suppliers and these sometimes mean the insurer can do the work for less than a policyholder would be able to. I’m aware Mr D wants to see how Lloyds calculated its costs. However, it isn’t required to provide Mr D with that information because it is commercially sensitive. I have seen the scope of works and, from what I’ve seen, Lloyds’ offer was based on the cost of its own supplier doing the work. It has acted in line with the policy terms and conditions and I’ve not found any reason to tell Lloyds to offer more than it would have cost it to do the work itself.*

*I’ve also looked at Lloyds’ scope of works and Mr D’s quotes and what these covered. Mr D’s quote lacked detail, although I’m aware he provided this Service with further information. But, Mr D’s quote doesn’t provide much detail about the new wall tiles and whether they were like for like. His quote also included the cost of a skip, but Lloyds’ contractor was able to dispose of the materials without using a skip, for which there wasn’t an additional charge. Mr D’s quote also included a new toilet, which I understand was because his builder was concerned that the toilet would break when it was removed. However, I would only expect an insurer to pay for damage caused by the incident. An insurer would also normally expect undamaged items to be reused. I wouldn’t expect it to pay an amount in case the builder broke the toilet.*

*Based on the evidence I’ve considered, Lloyds’ scope of works covered all the work required to repair the damage, with a couple of exceptions, and its offer was based on the cost to itself to do the work. I think, overall, that was fair. But there were some items that weren’t included. Lloyds agreed to cover the cost of a new carpet, although I’m aware Mr D was going to replace the flooring with vinyl. However, Lloyds didn’t include the cost of carpet fitting. While the complaint was with this service, Lloyds said it would be willing to pay £60 as the cost of carpet fitting and explained its calculations for this. I think that was reasonable. So, I think it should pay that amount.*

*Mr D’s quote also included the cost of repairing the concrete floor where it was damaged due to the trace and access work. There seemed to be a misunderstanding here. Lloyds thought the floor had been repaired during the trace and access. Mr D has said it wasn’t. Lloyds has now told this Service that it will cover the cost of the damage to the concrete floor because it would have done so as part of the trace and access. But, it said it was unable to calculate a cost for this. I also don’t think Mr D’s quote includes enough detail to show what*

*the work to the concrete floor included or why the cost was reasonable. So, I currently intend to say that Lloyds must calculate the cost of repairing the damage to the concrete floor because of the trace and access work. This might involve Lloyds having to visit Mr D's property or asking Mr D to provide more detailed information about the damage. Lloyds must then tell Mr D the amount it will pay for the repair and add it to the cash settlement. For avoidance of doubt, Lloyds can base its costs on how much it would have paid its own contractor to do the work.*

*When the complaint came to this Service, Lloyds also accepted that it hadn't paid Mr D's trace and access invoice and said it would do so and pay interest on this. So, I think it should pay interest on the £600 costs for the trace and access. This should be from 21 October 2023, the date on which Mr D provided the invoice to Lloyds, to the date on which Lloyds makes the payment.*

*I've also thought about compensation. When the complaint came to this Service, Lloyds said it would increase its compensation offer from £150 to £300. Thinking about everything that happened, I think £300 is reasonable to address any distress or inconvenience caused to Mr D during the claim, including that Lloyds needed to revisit during the claim. This amount includes the £150 Lloyds previously offered.*

I asked both parties to send me any more information or evidence they wanted me to look at by 8 July 2024.

Lloyds agreed with my decision and said it had nothing further to add.

Mr D replied and, in summary, said:

- He was deeply disappointed with my decision.
- There was a discrepancy between the cost for fitting the carpet in my provisional decision and what had previously been agreed. He said the cost previously agreed was £160, but I had now said it was £60 to fit the carpet.
- There was no transparency around Lloyds' settlement figure, which was in stark contrast to the quote and subsequent breakdown he had provided. He couldn't comprehend the logic in taking Lloyds' word for it that it could do the work for the amount stated when his own contractors' quotes were much higher.
- Lloyds' quote seemed to largely pay for the material and the labour was free. He said the contractor didn't operate at a loss. He accepted that some of the items on his quote weren't covered, but this didn't come close to covering the difference. He couldn't understand why I would accept a figure from Lloyds but not his quotes. He said Lloyds was exploiting its customers.
- He said contractors providing quotes were hard to come by and don't always provide them. It took months of chasing to get quotes. He had asked contractors to only quote for the areas covered by the claim. He hoped I would accept his word on that. He had provided as much detail as he was able to. He was happy to exclude the cost of the skip and toilet from the quote, but this still didn't cover the difference.
- There was no confusion over the concrete floor hole. It was left by the trace and access plumber and was highly visible when Lloyds attended the property. Lloyds simply hadn't included it.
- There was no point in Lloyds now visiting to see the hole as Mr D had paid to have it fixed during the remodelling. He couldn't live in the house any longer in that state. He had asked Lloyds for a quick resolution because of his family circumstances.
- He wanted a breakdown of what I was requiring Lloyds to pay. He listed some costs. He didn't think the cost of filling the hole in the floor should be left unresolved. He thought it wouldn't be clear enough without this.

Following this, I explained to Lloyds that Mr D had fixed the concrete floor and asked it to provide a figure. It offered £80. Mr D was asked whether he would accept this amount and he said he would. He also confirmed that he understood the £60 figure was for the fitting only because Lloyds had already offered £100 for the carpet before the complaint came to this Service. I also provided both Lloyds and Mr D with a breakdown of the different elements of the claim costs.

### **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.

Having done so, I uphold this complaint and for the reasons given in my provisional decision.

I can understand that Mr D wants Lloyds to provide a full breakdown of costs, but it isn't required to provide this because it is commercially sensitive information. I also didn't just take accept Lloyds' explanation of the costs and asked it to provide me with further details. Following that, I was satisfied that the amount it was offering Mr D was what it would have cost Lloyds to carry out the work. Lloyds is entitled to negotiate rates with contractors. Insurers can often agree rates that are a lot less than a member of the public would be able to secure. I haven't seen evidence Lloyds exploited Mr D. Lloyds said it could do the work and Mr D said he didn't want it to. So, from what I've seen, it offered to pay a cash settlement in line with the policy terms and conditions.

I'm aware it can be difficult for policyholders to get quotes. Mr D wanted to arrange the work himself and for Lloyds to pay a settlement at the cost to him. But this wasn't how the policy said Lloyds would settle claims. I don't think it was unreasonable for Mr D to be asked to provide quotes, despite the potential difficulties in doing so. I also don't doubt the quotes Mr D provided were for the amount the contractors said it would cost to do the work.

When I referred to the misunderstanding about the concrete floor, this was because the call note for Lloyds' conversation with the plumber noted that the plumber had said he would reinstate the floor. Whether that note was accurate or not, it seemed to influence Lloyds' understanding of what needed to be settled for the trace and access. However, this issue has now been resolved as it has been agreed by both parties that £80 is a reasonable figure to pay for the concrete floor affected by the trace and access.

I'm aware of Mr D's strong views about his claim and complaint. I'm also aware of his family circumstances. Thinking about the full circumstances again, I remain of the view that the amount Lloyds offered as a cash settlement was fair in the circumstances, with the addition of £60 for the carpet fitting and £80 for the cost of the trace and access damage to the concrete floor. I also think £300 is fair compensation. Lloyds should also pay interest on the trace and access costs.

### **My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld. I require Lloyds Bank General Insurance Limited trading as Halifax to:

- Pay £60 for the cost of carpet fitting.
- Pay £80 for the cost of repairing the damage to the concrete floor because of the trace and access.
- Pay 8% simple interest on the £600 Mr D paid for the trace and access. This should be calculated from 21 October 2023 to the date on which the invoice is paid.

- Pay a total of £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 September 2024.

Louise O'Sullivan  
**Ombudsman**