

The complaint

Mrs and Mr M are unhappy with the settlement offered by Lloyds Bank General Insurance Limited (“Lloyds”) for their contents claim.

Mrs and Mr M jointly held buildings and contents insurance underwritten by Lloyds. A loss assessor handled the claim for Mrs and Mr M, and brought the complaint to us on their behalf. Lloyds appointed a loss adjuster to act on its behalf.

Any reference to Lloyds includes its loss adjuster’s actions.

What happened

The background to this complaint is well-known to both parties. So, I’ve set out a summary of what I think are the key events.

Mrs and Mr M claimed under their home insurance following a fire in their kitchen. Lloyds accepted the claim and appointed a loss adjuster to deal with the contents element of the claim. Mrs and Mr M appointed a loss assessor, which I’ll refer to as Company H, to handle the claim on their behalf. Company H arranged for a restoration company to deal with the contents. Communication between Lloyds and the restoration company was conducted through Company H.

In brief, the restoration company considered the contents to be beyond economical repair (BER) and disposed of everything except some fabric items which were washed. Company H provided Lloyds with the list of items that had been thrown away, but Lloyds didn’t think everything would’ve been BER.

Lloyds asked for evidence of why every item was deemed BER, but Company H didn’t think it was fair to ask for evidence after the contents had already been disposed of. Company H told Lloyds that photographs were available of the contents in a bulk setting. Lloyds didn’t agree that a list and bulk photos were enough evidence. It offered a cash settlement for those items it thought would’ve been damaged beyond repair and included a payment for the cost of repair or cleaning of the remaining items.

The cash settlement offer was around half of the amount Mrs and Mr M were expecting, so Company H complained on their behalf. Company H said that it had been clear with Lloyds about what would happen with the damaged contents, and at no point was there a request to keep the items. So, Lloyds issued its final response letter to Mrs and Mr M.

Lloyds said there was an expectation that the restorer would’ve tried to clean at least some of the contents, and that there would be a comprehensive list of everything it had disposed of. In the absence of any evidence of this, Lloyds offered a cash settlement based on its own experience of fire damage and what would likely be BER. That said, it told Mrs and Mr M that if they obtained further evidence, it would look not their claim again.

Company H, on behalf of Mrs and Mr M, didn’t agree with Lloyds’ position and brought the complaint to us.

One of our investigators looked into Mrs and Mr M's complaint but he didn't think it should be upheld. He said Lloyds had reasonably asked for evidence of the BER items, and offered a cash settlement in line with the policy. Our investigator said it was Company H's responsibility to manage the claim effectively, and he thought Lloyds had offered a fair settlement in the circumstances.

Company H didn't agree for the following reasons:

- Company H did not appoint the restoration company.
- No restoration company is asked to provide evidence of triage, and a retrospective request is unreasonable.
- The restoration company told Lloyds that BER items would be disposed of and at no point did Lloyds ask for them to be retained.
- Lloyds' cash settlement offer was unreasonable and made without appropriate qualifications or experience.
- Lloyds' photos and videos of the contents should be disregarded because it didn't carry out any work on them.
- Lloyds didn't adhere to the policy.
- The outcome is unfair to Mrs and Mr M and the restoration company.

So, the complaint was passed 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.

Having done so, I've decided not to uphold Mrs and Mr M's complaint. I realise this will come as a disappointment to them, but the evidence doesn't persuade me that Lloyds' cash settlement offer was unfair. I'll explain.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. The policy sets out the detail of the contract between Mrs and Mr M and Lloyds, so I've looked at the terms and conditions when reaching my decision.

Policy

Lloyds said without evidence of the items that were thrown away, it settled the claim based on what was likely BER. Company H said Lloyds didn't ask the restoration company to retain the items and it's unreasonable to seek evidence. The policy states:

What you'll need to give us

You must help us look after your claim by doing what we ask. We'll ask you for a list of what has been lost or damaged. We might ask you to give us proof you own what you're claiming for and its value ... For example we might need photos, a video or a report from an expert. If we ask for you to give us proof, you must give it to us or we might not be able to pay your claim. You're responsible for paying any costs that are needed to prove your claim.

Before you contact us

If you need to make urgent repairs, take a photo before and after. Don't throw away any damaged items until we say so.

Based on the policy wording, Mrs and Mr M were responsible for proving their loss and ensuring that the damaged items were retained. Company H was acting on behalf of Mrs and Mr M, so it took on that responsibility. While Company H said it didn't appoint the restoration company, the evidence clearly shows that it arranged for Mrs and Mr M to use its services.

Lloyds was responsible for settling the claim for any items shown to be damaged or BER. Lloyds said cleaning should've been attempted so it hasn't offered to pay for all items disposed of. Looking at the type of items Lloyds quoted as examples of those that could've been cleaned – such as glassware, crockery, and electrical items, some of which were from other rooms in the house - I tend to agree. It's difficult to see why glassware and crockery, for example, couldn't be safely washed and used again.

Based on the policy wording, and the evidence available to me, I'm satisfied that Lloyds handled the claim in line with the terms and conditions of the policy.

Photo and video evidence

Company H said Lloyds' evidence should be disregarded because it didn't complete any work on the items.

I watched the video of the home in its damaged state, taken by Lloyds, and note that the loss adjuster said electrical items would be tested. Company H had a copy of the video so it could reasonably have known that Lloyds planned to test them and wouldn't have simply thrown away everything.

I'm satisfied that the photos and videos are valid evidence of the house contents, so I see no reason to disregard them from consideration.

BER disposal

Company H said that it was unreasonable to seek evidence of the restoration company's triage prior to disposal of the BER items. Company H said the restoration company had the appropriate expertise which could be relied upon.

In the circumstances, I don't agree. Lloyds was given reassurance that everything would be documented, photographed and any BER items disposed of. But Lloyds wasn't provided with anything other than a list of everything that was thrown away. I understand photos are available of the items in bulk and Company H said it was Lloyds' fault that they haven't been sent for consideration in assessing the settlement. If photos to support the list were available, I can't see why Company H haven't submitted them in line with its request for evidence.

Lloyds could reasonably have expected a professional restoration company to retain anything which could be cleaned and used again. The evidence in which the house fire is described, and the video showing the contents, persuade me that it was unreasonable to dispose of practically every item from the house. If the restoration company felt that was necessary, I'd expect to see evidence to support its view. Indeed, in the scope of work, the restoration company charged for three people each working 30 hours to complete the triage exercise. Therefore, I don't think it was unreasonable for Lloyds to expect to see comprehensive evidence.

I've noted that Company H said the restoration company made it clear it would dispose of all items deemed BER. I don't think that's necessarily unreasonable. But, as I've said, I would expect that if *all* items were being disposed of, there should've been comprehensive evidence. And I don't think it would've been unreasonable to contact Lloyds before taking such a step.

Cash settlement

Company H said Lloyds didn't adhere to the policy; the cash settlement was unreasonable, and the outcome was unfair to Mrs and Mr M and the restoration company.

Thinking about what should've happened when Mrs and Mr M made their claim, I've turned again to the policy. Agents acting on behalf of either party bear the responsibility of acting in line with the policy.

The policy states:

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 ... 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. What we mean is, we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home.

Mrs and Mr M used their own appointed loss assessor and restoration company rather than Lloyds' services. Therefore, I don't think it was unreasonable for Lloyds to settle the claim based on what its supplier thought was likely to have been BER plus the reasonable cleaning or repair costs, rather than the full cost of replacing every item disposed of. Lloyds hasn't said it won't pay anymore – just that it would need evidence first. If Mrs and Mr M can provide that evidence, it will reconsider the settlement. But, as it stands, I'm satisfied that Lloyds' cash settlement was fair and reasonable in the circumstances.

To be clear, my decision is about Lloyds' handling of Mrs and Mr M's complaint. I have not looked at anything directly affecting the restoration company, or Company H for that matter. Both parties were acting on behalf of Mrs and Mr M, with a responsibility to manage the claim for them.

This leads me to Mrs and Mr M's description of how this matter has affected them, particularly in terms of health matters. I don't doubt that they would've suffered distress and inconvenience due to the fire itself, and I can see why they would've been distressed by the ongoing claim. It's likely that Company H's role was to manage the claim so Mrs and Mr M wouldn't need to handle the day-to-day matters. The evidence shows that much of the dispute here has been between Company H and Lloyds' loss adjuster about the restoration company's actions. What's not clear is whether Mrs and Mr M were content with every personal belonging being disposed of rather than any attempt to clean or restore. So the evidence doesn't persuade me that Lloyds ought to compensate Mrs and Mr M for the distress and inconvenience they experienced.

Conclusion

Overall, I'm satisfied that Lloyds accepted the claim which was then handled by agents acting on behalf of Mrs and Mr M. The evidence shows that the cash settlement it offered was in line with the policy, and fair and reasonable in the circumstances. I see no reason ask Lloyds to do any more in respect of this complaint.

My final decision

For the reasons I've given, my final decision is that I don't uphold Mrs and Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Ms M to accept or reject my decision before 18 December 2024.

Debra Vaughan
Ombudsman