



# Compensation Policy

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# Groupwide

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**Date of approval:** August 2019

**Approved by:** Leadership Strategy Group

**Effective date:** 1 September 2019

**Date of next review:** September 2021

**Author:** Policy Team

**Policy owned by:** Groupwide

**Statutory/Regulatory Framework:** Housing Act 1985, Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994, Land Compensation Act 1973, Home Loss Payments (Prescribed Amounts) (England) Regulations 2018, Leasehold Reform, Housing and Urban Development Act 1993, Environmental Protection Act 1990, Commonhold and Leasehold Reform Act 2002, Health & Safety at Work Act 1974, Gas Safety Regulations, Equality Act 2010, Defective Premises Act 1972

**Good practice/framework:** The Housing Ombudsman expects social landlords to have a compensation policy which provides guidance on when it will consider offering compensation or a goodwill gesture.

**Related L&Q documents:** Complaints Policy, Repairs Responsibility Policy, Defects Policy

**Resident Involvement:** Resident Services Group March 2019

**This policy is suitable for external release**

## Key Points

- In line with our customer promise, where we get things wrong and fail to provide a quality service we need to put things right. This may include paying compensation.
- Compensation may be a mix of statutory based payments, our own discretionary based payments, goodwill gestures (e.g. vouchers), and part refunding of service charges.
- Compensation may be reactive – where a customer has made a valid complaint, or proactive, where we compensate all residents impacted by the service or facility failure (e.g. prolonged broken lifts). Residents can be proactively compensated whether or not they have made a complaint.

## 1. Aims of the policy

We aim to provide a good quality service to our residents as set out in our Customer Promise. When we fail to meet set standards and our commitments to our residents, we will put this right as quickly as possible.

The aim of this policy is to ensure that we have a fair and consistent approach to offering redress and awarding compensation.

## 2. Scope

This document sets out our approach to managing compensation claims and awards and should be read in conjunction with our Complaints Policy.

This policy outlines the circumstances where we might pay compensation to a tenant, leaseholder, shared owner or any of our customers.

This policy does not apply to licensees, or to members of the public with whom we do not have a contractual relationship. Claims for personal injury should not be dealt with under this policy.

## 3. Policy statement

- When things go wrong, we will put things right as quickly as possible.

- We will consider an offer of compensation when an apology alone is not sufficient and we recognise the impact the service loss or failure has had on the customer.
- Compensation may be considered where we fail to follow our policies and procedures.
- We will be proactive about an offer of compensation which means, rather than wait for individual claims, we may offer compensation to all customers affected. This approach will be used when determining compensation for both specific and cumulative failures to multiple properties.
- Compensation should not be offered until all work/issues have been resolved, or where a complaint has been lodged, it has been fully investigated. This does not apply to reimbursement for out-of-pocket expenses.
- Timeliness – customers seeking to make a claim should do so as soon as possible, ideally within 28 days of being aware of the loss or detriment happening. All claims must be made within six months unless there are exceptional circumstances.
- We may also offer discretionary payment to customers who have suffered undue stress and upset because of our failure to respond to their complaints within specified timescales or done so inadequately.
- Where customers have rent arrears, we will partly or fully offset a compensation payment or award against the debt (except reimbursements for out-of-pocket expenses).

## 4. Policy approach

### 4.1 Service failures and losses

These include:

- failure to follow our policies, procedures or guidelines
- loss of facilities/amenities in the home e.g. heating or hot water
- failure to complete repairs to agreed response times (not applicable to leaseholders and shared owners except those in the Defects Liability Period)
- failure to respond to or process a complaint within our target times
- failure to provide a service that customers have been charged for e.g. cleaning and caretaking services
- failure of staff/contractor to take care e.g. loss or damage to personal property during repair work
- loss of facilities, amenities or disruption due to building works
- failure to attend a booked appointment without good reason (not because the customer changed the appointment date/time).

But we will not pay compensation if:

- the delay was outside of our control, for example, if there is a strike or inclement weather
- the customer did not give us access to their home or caused delay in any other way

## 4.2 Features of compensation

Compensation may be statutory (i.e. the law obliges us), contractual (e.g. our tenancy/lease agreement requires it), or discretionary (e.g. the circumstances dictate that it is the right thing to do).

Compensation will be awarded in a manner that is fair and proportionate, as well as representing value for money in the way we manage our resources.

Compensation should not be made to cover up service failures. Where we have failed to provide a service or been negligent, we seek to learn lessons from our mistakes and put things right for the future.

Compensation is not a replacement for home contents insurance. Customers are responsible for arranging their own home contents insurance for accidental damage to their belongings/property that is not our responsibility.

## 4.3 Statutory compensation

### **Right to Repair**

The right to repair scheme helps tenants to get small specific 'qualifying' repairs done quickly. These are matters that relate to health, safety, and security. For example; total loss of water, total loss of electricity, partial or total loss of gas. The matter may relate to an individual property or a communal service or area.

Under Right to Repair, repairs must cost less than £250 and if not completed within the statutory target times, we pay statutory compensation. This is £10 plus an additional £2 per household per day (for every extra day the repair isn't fixed) capped at £50. An additional discretionary payment may be made acknowledging the impact, inconvenience, distress, and time/effort required of the resident. Qualifying repairs and repair times and compensation amounts are set out in the Compensation Standard Operating Procedure.

### **Home Loss Payments**

We will make Home Loss Payments to tenants, leaseholders and shared owners if we need them to move from their homes permanently due to demolition, sale of land or major works.

For tenants, the payment will not exceed £6,300. For shared owners and leaseholders, the payment will be 10% of the market value of their interest held in the property (up to the maximum of £63,000). These amounts are reviewed by the government in October every year and the relevant amounts should be applied at the time. The eligibility criteria are set out in Appendix 2.

### **Disturbance Payments**

A Disturbance Payment may be payable in addition to Home Loss payment. Disturbance Payments are for reasonable moving expenses that assured/secure

tenants or leaseholders/shared owners may incur if we require them to permanently or temporarily leave their home so that major improvement works could be completed. Major improvement works include:

- regeneration
- redevelopment
- demolition/decommissioning of the property as part of redevelopment on the land, or to comply with a court order

The eligibility criteria are set out in Appendix 2 below.

### **Right to compensation for improvements**

Secure and assured tenants moving out of their home can request compensation for certain improvements they made to the property while they were living in it.

For qualifying improvements, compensation will be calculated based on a formula set by government and will be paid on a sliding scale according to the expected life expectancy of the improvement (see Appendix 3).

To qualify for a compensation payment, a customer must have:

- requested and obtained, our written permission before carrying out the work
- sent us two independent quotations for the work. We will only compensate for works the customer completed themselves where they are suitably qualified.
- where appropriate, provided evidence of having any official permission needed such as planning permission

The minimum amount of compensation payable is £50, and the maximum is £3,000.

We will not pay compensation where we are evicting a customer for breaking tenancy conditions or where a customer is exercising their right to buy/acquire.

## **4.4 Discretionary compensation**

### **Addressing individual circumstances**

Discretionary payments can be made to recognise individual household circumstances, for example, larger sized households, or specific vulnerabilities.

### **Goodwill gestures**

The offer of discretionary compensation is a goodwill gesture and staff will decide the value and form based on internal guidance. Goodwill gestures include awards from 'whatever is necessary' budget, grocery shopping or decoration vouchers.

Compensation can only be considered if the customer co-operates fully with us or our contractors to resolve the issue they have complained about.

We cannot pay compensation for loss of earnings due to service failure. However, we may offer a goodwill payment in recognition of the time and trouble the

customer may have taken to get the issue resolved.

### **Compensation for loss of facilities and amenities**

We may pay compensation, in the form of rent rebate, if a customer is not able to use a room(s) in their home because of a repair issue that is our responsibility, and which causes prolonged and unreasonable disruption. Payment calculation can be found in the compensation guidance.

Where the customer can evidence that they have incurred reasonable extra costs because of our service failure, this amount should be reimbursed.

We will not compensate any customer for a fault or loss of service that is caused by their misuse, negligence or damage; where spare parts are not readily available; or stopping the service is essential for planned works to take place. We will communicate with customers when any of these situations occur or likely to occur.

Where our contractual arrangements allow, we may seek a refund from the contractor for any compensation we pay to our customers where we can identify that the contractor is responsible for the service loss or failure.

### **Compensation for damage to customer property/belongings during repair works**

Whilst carrying out repairs, there may be unavoidable damage to customers' interior decorations or other fittings or fixtures.

We will aim to identify any possible damage to customers' fittings or fixtures before major planned works commence and will discuss with the customer the options available to minimise damage.

After installing new kitchens and bathrooms, for example, we will assess each case individually and according to its circumstances before offering compensation. We may provide compensation which could involve repair or replacement by us or our contractors.

In the case of damage to customer decorations, we will carry out reasonable redecoration or provide decoration vouchers for the customer to carry out the restitution work themselves, if they prefer.

Where damage or alleged injury occurs because of our or our contractor's negligence, we will refer the issue to the Insurance Team. This includes damage to customers' personal possessions. All claims against our insurance policy must be registered by us within 28 days of the event.

We will not consider compensation if the damage occurred:

- because the original fitting or fixture was incorrectly fitted by the customer who is not qualified in the trade.
- to a fitting or fixture that the customer had installed without obtaining the required permission.

- in an area that we have not worked in. For example, if the same carpet is laid in more than one room, we will only consider replacing it in the room where the damage occurred.

#### 4.5 Compensation for leaseholders and homeowners (including shared owners)

- Section 4.4 above also applies to leaseholders and other homeowners where appropriate.
- We may refund an insurance excess as a goodwill gesture if we have been negligent in the handling of a repair or defect.
- Where a leaseholder lets the property out, we will not compensate for loss of rental income or rent increases due to a repair issue or loss of service.
- Any compensation paid will be discussed with and credited to the leaseholder directly and not any tenant of the leaseholder (possible exception is Disturbance Payment).
- We will pay for missed appointments on communal repairs if we have specifically requested that the leaseholder be present.
- If a leaseholder or shared owner has purchased a new property from us, there will be a stated snagging period in the contract. During this time, defects may become apparent and customers should make us aware of them. If we fail to complete the repairs within a reasonable time, we will consider paying the customer compensation. Compensation will only be offered where we have caused unreasonable delays and/or distress, not for the defect itself.

#### 4.6 Making and handling compensation claims

Customers can make a compensation claim in several ways. These include,

- completing our online complaints form
- by telephone or in person
- in writing – by email or post

All claims for compensation will be acknowledged within 24 hours. Timeframes for completing assessments and assessing claims will be discussed with the customer.

Staff may advise, but not support, customers in making compensation claims. For customers who need help with submitting a claim, staff should signpost them to consumer organisations such as Citizens' Advice.

Where compensation claims are linked to complaints, they will be dealt with in line with our Complaints Policy and Procedure.

#### 4.7 Investigating and assessing compensation claims

Staff should consult our [Repairs Responsibility Policy](#), [Defects Policy](#) and other relevant service area policies, procedures or guidance when investigating a



compensation claim to make sure we are responsible for the service.

When assessing the level of compensation to be offered, the following will be taken into consideration:

- the cause of the issue for which redress is being sought. Staff must investigate all claims thoroughly, obtain receipts and/or obtain photographic evidence, where necessary. Customers should be advised to retain all evidence relating to the claim
- whether the customer (or their household) has specific needs that were made worse by the issue/situation
- the difficulties the customer experienced when living with the issue and in dealing with us to resolve it (e.g. the time, effort and level of distress/inconvenience caused to the customer by the service failure)
- the direct financial loss incurred by the customer e.g. missed appointment resulting in fine or out-of-pocket expenses (proof needed)
- how we communicated with the customer.

#### 4.8 Fixed awards for service failure

**Failure to respond** - we will make a payment of £10 for the following service failures:

- failure to respond to a **query** within 10 working days
- failure to respond to a formal **complaint** within the timescales published in our Complaints Policy.

**Missed appointments** – we will make a payment of £20 for failure to keep an appointment without at least 24 hours' notice.

#### 4.9 Refund of service charge

Where there has been a loss of communal service or facility, we will proactively fully or partly refund service charges to all customers (including leaseholders and shared owners), regardless of whether they make individual claims. This includes:

- continuous unavailability of services such as lifts, TV aerials, or communal lighting for more than seven days.
- failure to provide e.g. caretaking or ground maintenance services on two consecutive occasions where this is specified in the service agreement. Payment will be made from the third and subsequent periods in which the service is not provided.
- communal areas not cleaned or maintained after two consecutive periods. Payment will be made from the third and subsequent periods in which the service is not provided.

We will refund management fees where it is reasonable to do so.

We will partly or fully offset a compensation payment or service charge refund

against any debt owed to us by the customer, including rent arrears (except reimbursements for out-of-pocket expenses).

#### **4.10 Requests for a review of a compensation decision**

Where a compensation claim is linked to a complaint, we will follow the Complaints Policy and Procedure to resolve the compensation claim. Where the compensation claim does not relate to a complaint (e.g. statutory compensation payments), and the customer is unhappy with the level of compensation offered, the customer dissatisfaction will be dealt with as a Stage 1 complaint.

# Appendices

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## Appendix 1

### Legal and Regulatory Framework

- Section 96 of the Housing Act 1985 sets out the Right to Repair for secure tenants, which we extend to our assured tenants
- Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994
- Sections 30(1) and 30(2) of the Land Compensation Act 1973 prescribes for home loss payments
- The Home Loss Payments (Prescribed Amounts) (England) Regulations 2018 set the current amounts payable
- Section 61 of the Leasehold Reform, Housing and Urban Development Act 1993 gives us the right to terminate (new) lease on grounds of redevelopment
- Environmental Protection Act 1990
- Commonhold and Leasehold Reform Act 2002
- Health & Safety at Work Act 1974
- Gas Safety Regulations
- Equality Act 2010
- Defective Premises Act 1972

### Monitoring and evaluation

We will monitor all compensation claimed, awarded and refused. We will record the type, amount and the reasons for the decision. These statistics will be included in the performance reports to Executive Group and Board. The data will be evaluated for consistency which will help shape our improvement plans.

The policy will normally be reviewed on a two-year cycle or following any legislative or organisational change or changes in industry standard, whichever is sooner.

### Policy equality and diversity statement

L&Q is committed to valuing and promoting equality and diversity. We recognise we have a duty to eliminate unfair treatment and discrimination in the services we provide and to promote and value respect in everything we do. We expect our staff to share these values and treat all customers with fairness and respect.

### Resident involvement

The findings from the Campbell Tickell Review led to the review of this policy. The Resident Services Group was consulted during the approval process.

## Appendix 2 – Eligibility for Home Loss/ Disturbance Payments

- A customer may be entitled to a Home Loss payment (subject to limitations on entitlement) where s/he is displaced from a dwelling on any land because of the:
  - compulsory purchase of the property
  - making of a court order in respect of the dwelling (i.e. prohibition order under Part 1 of the Housing Act 2004 or a demolition order)
  - redevelopment of land or improvement of any dwelling on land previously acquired or appropriated by an authority possessing compulsory purchase powers and currently held by such an authority
  - redevelopment or improvement by a registered social landlord
  - making of an order for possession because the landlord (in the case of a secure/assured tenancy) intends to demolish or redevelop the dwelling or carry out extensive work, or the area is to be sold and redeveloped.

We may, given the particular circumstances, consider making a discretionary Home Loss payment where a customer is in need but does not satisfy the above conditions (this will not exceed the statutory amount).

- **Home Loss Payment** – to qualify for a statutory Home Loss payment, the customer must satisfy the following:
  - be a tenant or leaseholder or have occupied the premises under a contract of employment (i.e. a caretaker) and have lived at the property throughout a one-year period ending on the date of displacement
  - the property must be their only or principal home
  - the move must be the result of necessary redevelopment or improvement works to the property, or where the property is being disposed of
  - the displacement must be permanent (or the customer will be returning to a new home)
  - the decision to move out must not be voluntary
- **Disturbance Payment** – to be eligible for the statutory disturbance payment:
  - the customer must be a tenant or leaseholder (or, in rare cases, leaseholders' tenant where they have a long lease) or have occupied the premises under a contract of employment (e.g. a caretaker)
  - the move must be due to (re)development or improvement reasons
  - the decision to move out must not be voluntary

- the tenant/leaseholder (leaseholder’s tenant) must have been living in the property for at least one continuous year when the decision to displace is made
- compensation paid for disturbance cannot be set off against any rent or service charge debts or other debts that the customer owes us.

## Appendix 3 - Qualifying home improvements

A secure or assured tenant may be compensated for having made certain improvements to their home before vacating the property.

- To qualify for compensation, all the following must apply:
  - the improvement must have added value to the home and would be reasonable for an incoming tenant to use and benefit from.
  - the improvement must have been fitted after 1 May 2000
  - the tenant must have obtained written permission for the improvement before the works began and/or we had agreed the price of the work being undertaken
- No compensation is payable in the following cases:
  - the amount involved would be less than £50
  - the tenancy ends as a result of a possession order for rent arrears or other breach of tenancy conditions
  - the tenancy ends by way of right to buy or right to acquire
  - the improvement has deteriorated faster than would be expected as per the table below.

Qualifying home improvement	Depreciation (in years)	Budget area
Bath or shower	12	Planned
Hand basin	12	Planned
Toilet	12	Planned
Kitchen sink	10	Planned
Storage cupboards (bathroom or kitchen)	10	Planned
Work surface for food preparation	10	Planned
Space or water heating (including central heating)	12	Planned
Thermostatic radiator valves	7	Responsive
Loft insulation	20	Planned
Insulation of pipes, water tank or cylinder	10	Planned
Cavity wall insulation	20	Planned
Draught proofing of external doors and windows	8	Planned
Double glazing or other external window	20	Planned
Rewiring or the provision of power and lighting or other electrical	15	Planned
Security measures (locks, bolts, security lights, etc)	10	Responsive

## Appendix 4 – Property defects (homeowners)

<b>Compensation Payments Schedule</b>		
<b>Category of defect</b>	<b>Amount payable</b>	<b>Period for which compensation is payable</b>
Emergency defect e.g. an uncontrollable leak, faulty toilet, no cooking facility, no cold water, no heating (between 31 October and 1 May)	£10 per day with a maximum of £100 per defect	If not made good within 24 hours
Urgent defect e.g. a slow leak, no hot water (between 30 April and 1 November)	£5 per day with a maximum of £100 per defect	If not made good within 5 days
Routine defect e.g. an internal decorative issue	£2 per day with a maximum of £100 per defect	If not completed within 20 days

## Policy controls sheet

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Date of last review, who reviewed and date approved	Main changes and why (i.e. change in legislation, change in internal processes)
Policy Team July 2019	<ul style="list-style-type: none"> <li>• Policy refined to clarify compensation levels and amounts, including compensation amount of £2 per household per extra day the repair is not fixed.</li> <li>• To make clear the cap for statutory compensation is £50 per household</li> <li>• That discretionary payments can be made for additional distress, time and effort, impact, and inconvenience</li> <li>• That discretionary payment can be made to take account of household size and any vulnerabilities.</li> </ul>

Date of last review, who reviewed and date approved	Main changes and why (i.e. change in legislation, change in internal processes)
Jellina Davies, Policy Analyst Approval date - April 2019	<ul style="list-style-type: none"> <li>• This new policy incorporates the elements of the Customer Promise, most notably our promise to put things right as quickly as possible when things go wrong and, where appropriate, saying sorry by way of compensation</li> <li>• Incorporating Sales and Development goodwill policy to form a groupwide policy</li> <li>• Updates to annual statutory home loss and disturbance payment amounts (this amount is reviewed annually (in October) and should be reflected in this policy accordingly)</li> <li>• Benchmarked increases in compensation amounts to reflect the impact that service failures may have on customers' lives and the out-of-pocket expenses some of our customers may have made because of our service failures. This includes an increase of £10 for missed appointments.</li> <li>• Refunding service charges to multiple properties</li> </ul>

Date of last review, who reviewed and date approved	Main changes (i.e. change in legislation, change in internal processes)
	For all displacements on or after 01 October 2015 the minimum home loss payment has increased to £5,300 (from £4,900) and the maximum to £53,000 (from £49,000).
Policy Team, January 2016	

Date of last review, who reviewed and date approved	Main changes (i.e. change in legislation, change in internal processes)
Michael Westbrook, Policy team	New policy
Approved by Improving Resident Interactions Steering Group	