

The complaint

Ms H complained that Aviva Insurance Limited (“Aviva”) provided an unfair settlement for her claim under her home insurance policy.

What happened

Ms H made a claim on her policy when she identified leaking water coming through her kitchen ceiling from the bathroom above. Ms H used her own contractors to dismantle her bathroom to access the leak and fix it. Ms H paid a contractor just over £9,000 to have a new bathroom fitted and she incurred £177 in caretaker costs. Ms H wanted Aviva to reimburse these costs.

When Aviva reviewed the claim, it incorrectly rejected part of the claim as it thought it wasn't covered by the policy. It rectified this error and paid Ms H compensation as a goodwill gesture. However, Ms H is unhappy with the final settlement she has received. Aviva only paid Ms H a cash settlement equivalent to what it would've cost itself to do the works rather than what Ms H actually paid her contractor. This has left Ms H with a financial shortfall of just over £4,000. It also didn't reimburse the caretaker costs.

Our investigator decided not to uphold the complaint. She thought Aviva had been clear that it could've done the rectification works. So, she thought Aviva had been reasonable in settling the claim in line with its terms and conditions by paying Ms H a cash settlement equivalent to what it would've cost itself to do the works. Ms H disagreed, so the complaint has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 1 March 2022. I said:

“Aviva agreed to settle Ms H's claim, but Ms H was unhappy with the amount of cash settlement she was paid. So, I've considered if I think this was fair in the circumstances of this complaint.

Aviva said it has settled Ms H's claim in line with the terms and conditions of the policy. It said the policy sets out how it settles claims, which states:

“We can choose to settle your claim by

- replacing*
- reinstating*
- repairing*
- payment*

Replacement will be on a like for like basis or based on the nearest equivalent available in the current market. If we are able to replace the property, but agree to make a cash settlement, we will only pay you what it would cost us to replace the item as if it were new”.

Aviva said "As we were in a position to undertake the reinstatement works, in line with the terms of the policy, we will pay you what it would cost us to return the property to pre-loss condition. Total settlement including the additional labour and materials is now £5,192.16".

Ms H thinks this is unfair, she said the policy doesn't "state that the company is entitled to only pay the repairing/reinstating/workmanship cost at the cost it would be to them". I think it's fair for Aviva to have offered Ms H a cash settlement based on its costs of doing the work provided Aviva made a clear option to Ms H of it being able to complete the works itself. If it didn't clearly offer Ms H this option, then Aviva needs to have fully indemnified Ms H for the claim, by paying the costs she has incurred in getting a contractor to do the works.

The circumstances of this complaint are important, as Ms H doesn't believe she was given the opportunity for Aviva to carry out the works to repair the damage. I've listened carefully to the call of Ms H making her claim in November in 2020. This was a detailed call lasting around 60 minutes when Ms H talked through her circumstances methodically. At the start of the call, I did hear Aviva talk about the possibility of it carrying out the work and the possibility of them cash settling the claim.

At the time of the call, Ms H explained she had a leak somewhere in her "wet room" (bathroom) that was causing a water leak through her kitchen ceiling. However, Ms H couldn't see the damage the water had caused. The call agent was clear in saying if there was no evident damage, then Ms H wouldn't have a valid claim. Ms H said she had different plumbers visit who were unable to locate the leak as the source of the leak was obscured somewhere in the "wet room" system. The call agent explained to Ms H that if she demonstrates damage has occurred she would be covered for any "trace and access costs" and the costs for rectifying the damage.

Ms H explained that if the "wet room" was breached, the whole system would need replacing, so any attempt to find the leak would involve costs of re-fitting the entire bathroom. The call agent explained that the normal process would be for the policyholder to identify and stop the leak, and then the insurer would come and validate the damage and agree the process to have this rectified. Ms H explained to the call agent that she had secured a provisional booking with a plumber to break into the wet room system to identify and stop the leak, but then to remove the rest of the bathroom and re-fit it. The call agent agreed with the logic that the job needed to be done in one go for practical reasons, otherwise the bathroom would've potentially been out of action for several weeks or months. Aviva's call agent reinforced the point, however, if no damage was found, Ms H wouldn't have a valid claim.

The discussion moved on about the process of Ms H getting her claim approved. She said she had a quote for the required works, and she asked if she needed three quotes. The call agent said she didn't need to provide other quotes, provided her quote had a breakdown of costs. Ms H asked several times what evidence she needed to provide to show the damage. She was told she needed to provide photographs.

These circumstances are important, as I think it is clear that practically getting one contractor to do the work was most logical, otherwise the bathroom could've been out of action for a long period of time which in turn would've required Aviva offering alternative accommodation to those living in the property. It was a difficult situation for Aviva, as the damage hadn't been evidenced. It was also during the Covid-19 pandemic when access to materials and labour was difficult and prices were inflated.

However, I don't think Aviva provided Ms H with clear options after it fully understood the circumstances of the claim. The call agent spoke to his manager during the call and I don't think this provided any greater insight into the options Ms H had. Aviva are experts in claims

management, so I would've expected it to have provided Ms H with a clearer direction of how the claim could play out. I think Ms H would've thought she was OK to proceed with her chosen contractor at the end of January 2021 based upon the quote she had. However, she would've known she needed to evidence damage with photographs for the claim to be fulfilled, which we know she did as Aviva has settled the claim.

However, Ms H was unhappy as the settlement value paid by Aviva left her with a financial shortfall. I've looked at the timeline of events and Aviva only asked Ms H for her quote one week before the works were due to commence. Then, on the day the works took place it informed her that it thought the costs looked high. Aviva by email said, "please confirm a means of obtaining full photographs before proceeding with any works in order for us to fully review the claim." I don't think Aviva have followed a reasonable process for this claim. Ms H told them she had a quote three months earlier – but it didn't question the costs until the day the workmen were due to start. Given it had taken Ms H three months before she could secure her plumber to do the works, she felt she had no option but to continue with the works. Therefore, I don't think it's fair that Aviva hasn't honoured these costs.

Ms H provided Aviva with photos of the work. Based on these photos Aviva estimated what it would've cost itself to get the reinstatement works completed and it provided a cash settlement to Ms H for this amount. This left Ms H with a financial shortfall of over £4,000 on what she said she paid her plumber.

I have reviewed this complaint carefully and I don't think Aviva has followed a reasonable claims process or treated Ms H fairly. I think the use of a single contractor to do all the work was the logical solution – Aviva could've offered to have contractors on stand-by to do the reinstatement works but it didn't. Aviva could've offered alternative accommodation, but it didn't. I think the route taken was the logical one. From the information Ms H has provided and from the telephone call I have listened to, I'm persuaded that if Ms H was told about a better route to get the work done, she would have followed the advice. I think Aviva should've pre-empted what was likely to have occurred and looked at Ms H's quote earlier to see if the costs were reasonable. I'm persuaded that Ms H would've got alternative quotes if they were needed. I don't think Aviva has provided reasonable justification of why it has declined Ms H's costs she has submitted. Aviva didn't visit Ms H's property at all to review the damage or to see the works that were required. It could've arranged for a review to be done on the day the plumber was tracing the leak. I don't think it's reasonable to decline the costs on the day the work is being done, without visiting the site, or without a detailed justification of why the cost were too high.

Therefore, I intend to uphold this complaint. I intend to require Aviva to settle the claim in line with the costs Ms H has incurred (based upon receipts as evidence of what she has paid). As Ms H has been financially out of pocket for some time, I intend to ask Aviva to pay 8% simple interest on the financial shortfall Ms H has faced from the time the initial settlement was paid to the date the full settlement is paid. I think the uncertainty of Ms H not receiving the full settlement will have caused her some distress as she would have been worried about the financial shortfall, so I intend to award £200 compensation for her distress and inconvenience.

Ms H said she incurred some caretaker costs. I don't think it's fair that Aviva pay these costs. With any claim, there will be a level of inconvenience and in this case, I don't think Aviva has caused the requirement for Ms H to have a caretaker. Therefore, I don't think it's reasonable to expect Aviva to reimburse these costs".

Responses to my provisional decision

Both Ms H and Aviva has acknowledged receiving my provisional decision. Neither party has provided any further comments.

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.

Given neither party has provided any new information, I see no reason to change my provisional decision.

My final decision

My final decision is I uphold this complaint, I require Aviva Insurance Limited to:

- Settle Ms H's claim in line with the full costs she has incurred with her contractor (based upon receipts as evidence of what she has paid)
- Pay 8% simple interest on the financial shortfall Ms H has faced from the time the initial settlement was paid to the date the full settlement is paid
- Pay £200 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 27 April 2022.

Pete Averill
Ombudsman