

The complaint

Mrs M is unhappy with the settlement amount AXA Insurance UK Plc (AXA) offered for her escape of water claim under her buildings insurance policy.

What happened

Mrs M had buildings insurance for a property she let to tenants. After her tenants notified her of damage to the bathroom, she claimed under her policy with AXA. Due to national restrictions, AXA arranged to assess the claim by video call, but Mrs M wanted to wait until her own plumber was available to identify the source of the leak and stop it.

Because of the unusual circumstances, the claim didn't progress until around six months later, when Mrs M presented AXA with her repair bill and alternative accommodation (AA) costs.

AXA offered a reduced settlement based on what it would've cost it to complete the repairs. Mrs M was unhappy with its offer and complained.

Our investigator upheld Mrs M's complaint. She thought AXA didn't have a reasonable explanation for covering just some of the AA costs, although she agreed that its offer to cover the cost of repairs was fair. Our investigator recommended that AXA should cover the full cost of AA and pay Mrs M 8% simple interest from the bill date to the date of payment.

AXA agreed, but Mrs M didn't think the exceptional circumstances had been taken into consideration. She asked for a further review, 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.

I've decided to uphold Mrs M's complaint, but I'm not asking AXA to do any more than our investigator recommended. I'll explain why.

The issue of complaint, here, is the amount AXA offered Mrs M to settle her complaint. There are two parts to her claim – the cost of repairs to the water damaged parts of her property and the cost of AA for her tenants.

Water damage repair costs

After some delay, which I'll comment on later, Mrs M arranged for her preferred plumber to complete the repairs to the bathroom. She asked AXA to reimburse the full amount, which came to over £9,000. AXA offered around half that, which was the amount it said it could've done the work for.

The policy says AXA can settle the claim by carrying out the repairs or settling in cash. Here, Mrs M's plumber completed the repairs before AXA had an opportunity to see what was needed and before it approved the plumber's work. Therefore, it didn't have the opportunity to decide how to settle the claim. AXA asked Mrs M to provide evidence of the work needed, which she did, and AXA decided it would've cost it much less to complete. So, because the decision of how to settle the claim was taken away from AXA, I think it's reasonable that AXA settles it based on the policy terms and conditions for cash settling when it could've completed the work for less.

AXA is only obliged to pay what it would reasonably have cost its own contractors to do the work. AXA made an offer to settle at its own estimate of costs based on the plumbers description of works. AXA shouldn't have to pay more than it would've done by completing the necessary work itself to put Mrs M's bathroom back in the position it was in before the escape of water. So, I see no reason to ask AXA to pay any more than it has already offered.

Delay

Going back to the issue of the delays before Mrs M's plumber could complete the work, I see that AXA tried to arrange an assessment of the damage by video call. AXA said Mrs M was responsible for the delays and lack of availability. Mrs M said AXA only tried to contact her while she was at work and, as the claim was during lockdown, she didn't want strangers in her home.

While I understand that Mrs M might not have wanted AXA's contractors to complete the work due to lockdown restrictions, it wouldn't be fair for me to say AXA was responsible for the delays resulting from her preference of plumber. AXA arranged video calls which I note Mrs M cancelled on numerous occasions, mainly because her plumber was unwell. The escape of water happened in early November and from then until March, AXA chased updates from Mrs M. I note it either called and left voice messages, spoke to her when she returned calls, or communicated by email. Looking at the evidence, it's clear that AXA was waiting for Mrs M's plumber to become available to detect the leak so a video call could be arranged – this was at Mrs M's request. When the plumber was able to work again some months after the escape of water, Mrs M went ahead with the repairs.

At this point, AXA was still waiting to assess the repairs needed so it didn't have an opportunity to cost the repair work, as explained in my earlier point.

So, given that AXA was simply responding to Mrs M's request to wait for a video call, and for her plumber's availability to assess repairs needed, I can't reasonably say AXA caused a delay which would've warranted Mrs M going ahead with repairs without prior authorisation. Therefore, I'm satisfied that it was fair for AXA to settle the claim based on its own costs to repair.

Alternative Accommodation

Mrs M arranged for her tenant to live elsewhere while repairs were carried out. She claimed under her policy for those costs. AXA offered to cover three of the four weeks she claimed for.

Following our investigator's recommendation, AXA agreed to pay the full four weeks of AA costs. Having considered the evidence, and the fact that AXA hasn't explained why it felt a reduction in this part of the settlement was necessary, I see no reason why AXA shouldn't pay for the full claim for four weeks AA. As Mrs M has been without the benefit of that payment, I also think it's reasonable to ask AXA to pay 8% simple interest on the accommodation costs from the date Mrs M presented the costs to the date AXA settles the claim.

Summary

In summary, AXA didn't have the opportunity to assess the damage and make a settlement offer until Mrs M had already had the work done. As the delays were due to availability of Mrs M's preferred plumber rather than anything caused by AXA, I can't fairly say that there was any reason for her to go ahead with the work before AXA approved it. Therefore, I see no reason to ask AXA to settle the claim for any more than it would've cost using its own contractors.

That said, AXA hasn't provided a reasonable explanation for limiting its offer for the alternative accommodation costs, so I'm satisfied it should settle that part of the claim in full, along with 8% simple interest.

My final decision

For the reasons given above, my final decision is that I uphold the complaint and AXA Insurance UK Plc must:

- settle Mrs M's claim for the alternative accommodation costs in full, and
- pay 8% simple interest* on the alternative accommodation costs from the date Mrs M presented those costs to AXA until the date it makes the payment.

*If AXA Insurance UK Plc considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs M how much it's taken off. It should also give Mrs M a certificate showing this if she asks for one, so she can reclaim the tax from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 17 August 2022.

Debra Vaughan
Ombudsman