

The complaint

Mr H complains AA Underwriting Insurance Company Limited hasn't offered him a fair settlement after he made a claim on his home insurance policy.

What happened

In June 2021, Mr H's roof was damaged by a localised weather event. He attempted to make a claim on his home insurance policy. The number he called was for the third-party that use to handle claims on AA's behalf. I'll refer to that third-party as 'T'.

Mr H says he called T's claim number on 5 June. He says he was told to get the roof repaired by a qualified tradesman, and to send in photos and the invoice.

Mr H arranged a temporary repair, for £140. The contractor also provided two options for the permanent repair. The first option was a localised repair, costing £2,016. The second option was to replace all the tiles on that side of the roof, for £2,640. Mr H chose option two.

Mr H sent the temporary repair and the permanent repair invoices to T, along with photos. He explained the localised repair wouldn't have had a guarantee and the tiles couldn't be matched. T told Mr H it no longer dealt with claims for AA and it provided AA's contact details.

AA explained that, under the policy terms, it will either repair the damage using one of its approved contractors, or cash settle the claim based on what it would have paid its own contractor. AA said, based on its contractor rates, the repairs would have only cost it £1,061.45. Therefore, AA settled the claim for £1,061.45, less the £350 excess, i.e. £711.45.

Mr H was unhappy with the settlement amount, so he brought a complaint to our service. One of our investigators didn't think his complaint should be upheld. Because Mr H disagreed, his complaint was passed to me to decide.

I issued a provisional decision, explaining I intended to uphold the complaint. In my provisional decision, I said:

"I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint."

As per the policy terms, if the policyholder chooses a cash settlement, AA is entitled to cash settle based on its own costs. However, Mr H says he arranged the repairs himself on the instruction of T. In other words, he wasn't given the option of AA's contractor.

It's not clear why Mr H contacted T. I note the claim number on his policy documents, for the period of insurance in question, is for AA. Nonetheless, I haven't seen a reason to doubt what he says in respect of T. I find Mr H's testimony credible.

I don't consider it fair or reasonable for Mr H to lose out because of the advice he was given by AA's former agent. Therefore, I intend to decide AA can't fairly limit the settlement to its own contractor rates.

However, I haven't seen anything that suggests the localised repair wouldn't have been effective and lasting. As such, I can't reasonably hold AA responsible for the cost of replacing all the tiles, irrespective of the ten-year guarantee.

I can understand why Mr H wanted matching tiles, but I haven't seen anything that leads me to believe a reasonable match couldn't have been obtained. When replacing damaged roof tiles, there will always likely be a difference between the new tiles and the undamaged tiles which have already weathered. In those circumstances, we generally don't expect the insurer to cover the undamaged tiles.

I'm satisfied AA should be liable for the temporary repair costs. Had those temporary repairs not been undertaken, AA may have had increased costs due to internal water damage.

In conclusion, I consider a fair and reasonable settlement to be the cost of the localised repair (£2,016), plus the cost of the temporary repair (£140), less the excess (£350), i.e. £1,806. AA has paid £711.45. So, it would need to pay a further £1,094.55.

AA will also need to pay 8% simple interest per annum on the £1,094.55, from the date it paid £711.45, to the date of settlement.

I also intend to award £150 compensation, to reflect the inconvenience and upset caused by AA's unfair claim settlement."

Mr H accepted my provisional decision.

AA made the following comments:

- AA used to outsource its claims handling to T, until 1 July 2021.
- AA is only liable for the area damaged by the storm, which is limited to 5m2. AA's scope came to £1,061.45.
- The provisional decision states "*I can't reasonably hold AA responsible for the cost of replacing all the tiles*". Yet, AA is being asked to pay the cost of Mr H's localised repair, which extends to the full roof. AA pointed towards the £2,640 invoice.

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.

In the background section of my provisional decision, and in the background section of this final decision, I noted Mr H was given two options by his contractor. The first option was a localised repair to the damaged area, for £2,016. The second option was to have all the tiles replaced on that side of the roof, for £2,640. I also noted Mr H chose option two.

As such, I acknowledge Mr H's invoice is for renewing an entire side of the roof. However, my provisional decision *wasn't* that AA should pay £2,640, but rather, it should meet the £2,016 quote (which was for the damaged section of tiles only).

As set out in my provisional decision, T told Mr H to get the roof repaired. Having done so, AA can't reasonably hold Mr H to its contractor rates. Due to T's advice, Mr H reasonably incurred costs up to £2,016, plus the cost of temporary repairs.

My final decision

For the reasons I've set out above, and in my provisional decision, I uphold this complaint. My final decision is AA Underwriting Insurance Company Limited should pay Mr H:

- a further £1,094.55 to settle the claim;
- 8% simple interest per annum on the £1,094.55, from the date it paid £711.45, to the date of settlement; and
- £150 compensation.

If AA considers that it's required by HM Revenue & Customs to deduct income tax from any interest paid, it should tell Mr H how much it's taken off. If requested, AA should also give Mr H a certificate showing the amount deducted, so he can reclaim it from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 September 2022.

Vince Martin
Ombudsman