

## **The complaint**

Ms W complains that AXA Insurance UK Plc has made an unfair claim decision on a claim made on her building's insurance. And has unfairly increased the cost of her insurance.

## **What happened**

Ms W's insurance has been underwritten by AXA since October 2019. She explained as background to her claim that in February 2019 she was in arrears of around £100 on her water account, but by August 2019, these had been cleared and she was in credit. It wasn't until some months later that her direct debit amount increased significantly and she contacted her water company for clarity.

In the summer of 2020, Ms W said she noticed her bills increasing but attributed this to her using more water for her garden in the summer months. But she says it wasn't until the end of 2020 that she became aware that her bills were excessively high and she contacted the water company to investigate the cause.

In March 2021, Ms W made a claim on her policy for an escape of water and paid her excess when the claim was raised. She explained that after making enquiries with her water supplier, it said that it suspected there was an internal leak.

AXA investigated the source of the leak in April 2021 and believed it to be coming from the hot water pipe beneath the tiled kitchen floor. AXA was unable to source a plumber directly to attend and find and repair the leak so it advised Ms W to arrange the repair works. But it authorised the track and trace for the escape of water in May 2021.

In May and June 2021 Ms W chased AXA for an update. She was provided with the details for where to send the quotes from her tradesman and asked to send these in for review. Ms W provided an invoice for completed works at the end of August 2021 and asked that AXA pay this. AXA paid £350 of the £390 claimed, it agreed to pay the additional £40 when Ms W highlighted the shortfall, but this wasn't paid.

In September 2021 AXA asked to see a full copy of the water bill for Ms W's property, it said this was needed to validate the claim. In the October Ms W provided copies of her water bills dating back to 2017.

In November, AXA said it was going to repudiate the claim. It felt the water bills supplied demonstrated the leak had been ongoing for some time and had started before AXA had been appointed as the insurer. It felt the increase in the water bill amount each month should have demonstrated to Ms W there was a problem sooner and it didn't think it needed to pay the claim because of this.

Ms W contacted this service, unhappy with the claim decision and service received during the claim. She also questioned whether the cost of her policy was fair and if the claim had impacted this as her most recent renewal had increased.

Our investigator said that he felt AXA should reconsider Ms W's claim. He didn't think it was fair and reasonable to expect Ms W to have been aware of the ongoing issue before.

He wasn't persuaded that the previous water bill information demonstrated that the leak was ongoing when the policy with AXA was taken out. So even if it had been ongoing for some time prior to Ms W being insured by AXA, he didn't think it was fair or reasonable to say that Ms W would have been aware of this before the claim was made in March 2021. What was clear was from 2020 onwards, there was a significant increase in the water usage and it was from this point that he felt it was likely the leak occurred.

He felt even if AXA could show damage was caused prior to it underwriting the policy, he still felt it was fair that AXA deal with the claim as the increase in water meant it was likely the damage occurred when AXA was responsible for the insurance. If AXA felt cost should be recovered from the previous insurer, he expected this to be done in the background to avoid any further distress and inconvenience to Ms W.

Our investigator reviewed the pricing information and said he was satisfied that AXA had increased the price fairly so he didn't think it needed to do anything else in relation to this.

Overall, he didn't think AXA had handled the claim as well as it could have and it added to the distress and inconvenience experienced by Ms W. To put things right he recommended it do the following:

- Continue to deal with the claim.
- Validate and reimburse any expenses paid by Ms W.
- Validate and pay the proportion of the water bills which relate to the water leak.
- Apply 8% simple interest to the above figures, calculated from the date Ms W made the payments to the date of settlement.
- Ensure the premiums have been set correctly, taking account of the influence of the claim.
- Pay £400 compensation for the distress and inconvenience caused.

AXA disagreed with our investigator. It said that it believed Ms W should have been aware of the water leak sooner as it felt her water bills indicated there was a problem before it was responsible for the policy. It thought because of this that it was fair to repudiate the claim as the incident occurred before the policy was in place. It also thought the damaged should be excluded because it excludes gradual wear and tear. Because the leak had been ongoing for some time, it felt it was fair to say the damage had been caused gradually overtime.

Our investigator said he still believed it was fair and reasonable to expect AXA to deal with the claim. He said it couldn't be confirmed when the leak started, but it could be confirmed the most significant increase in the water usage occurred in 2020, when AXA was the underwriter. Because AXA disagreed, the complaint has been passed to me for decision.

I issued a provisional decision on this complaint on 17 August 2022. I explained I was planning on reaching a slightly different outcome to that of our investigator, so to allow both sides a chance to comment on this, I set out what I intended to say in my final decision. I said the following:

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*I'm planning on upholding this complaint in part. I know this will be disappointing to Ms W, but I'll explain why I've reached this outcome.*

*Ms W's policy excludes damage for any incidents that happened before the policy started, so the first thing I need to decide is whether I think it was likely the leak was there previously. If it was, it might be fair for AXA to rely on its exclusion when it repudiated the claim.*

*AXA has pointed to the information within the water bills for Ms W's property as evidence that it feels demonstrates the water leak was in place before the policy was taken out with it. These show there was some increase in the water consumption at her property in the years prior to it being the insurer. But I don't think it's fair to say these increases were significant or that they indicated an issue at this point.*

*Ms W was paying £40 per month for her water for some time and was still paying this amount in March 2021 when the claim was raised. This was despite a number of statements from as far back as 2017 indicating more was needed to cover the total cost of the water used. Despite her statements indicating a higher amount might have been needed to be paid, Ms W continued to only pay £40 per month. This indicates that Ms W had conversations with her water supplier about her ability to pay the indicated higher direct debit amounts and the £40 payment was allowed to continue.*

*The £40 a month was sufficient to meet her costs up until August 2019. And as Ms W points out, her August 2019 statement showed her to be in credit when the bill was produced. So bearing in mind her policy with AXA wasn't inception until October 2019, I think it is plausible that Ms W would not have realised at the point of inception that there was a problem at her property. As despite indications that the payment amount needed to increase, her average usage for 4 previous bills at this point hadn't really changed. And the billing period showed a reduction in the total amount of water used for the period of February to August 2019.*

*The escape of water caused no physical damage to the property with the repair works needed only to track and fix the leak. And I don't think that Ms W could have reasonably had any knowledge of a leak if there was one present at the point the policy was taken out. Without knowledge of the issue, Ms W couldn't take steps to reduce the impact of this or prevent further damage or loss. And based on what can be determined from the water bills, I don't think I can say with certainty the leak was present when Ms W took out her policy with AXA. So I don't think it would be fair for it to repudiate the claim as it can't be determined the incident did occur before the policy started.*

*However, there is a point in time when I think it was reasonable to say the incident occurred and when I think Ms W would have had knowledge of an issue. And I think steps could have been taken to reduce the impact of the leak at this point.*

*Although Ms W didn't increase what she spent on her water, the average usage amounts started to increase considerably. The first bill she would have received after taking her policy out with AXA showed her average daily water use had more than doubled. This was for a period of six months from August 2019 to February 2020 and not a period of time when I think it would be reasonable to expect your usage to increase. I think at this point Ms W should have questioned what was driving the increase in her usage.*

*Ms W said she contacted her supplier after her direct debit amount increased, her statement indicated the supplier intended to increase her payment from £40 to £80 per month. This wasn't what was paid and it was agreed to stay at a manageable rate. So although Ms W said she didn't ask it about the increase in her billing amount until late in 2020, I think it's likely she spoke with her supplier about this sooner. And I think it would have been reasonable to ask it to investigate the cause at this time.*

*I think from this point onwards, Ms W would have been put on notice of the issue. She didn't contact AXA to raise a claim until March 2021. This meant the leak continued for a further year without investigation.*

*As I've said, I don't think there was a leak indicated when Ms W took the policy out. All indications pointed to her usage being stable at this point and her billing amount correct to cover the cost of her needs. Because of this, I think it's fair to expect that AXA would have always needed to deal with any incident that occurs after the policy started. So it's fair that it deals with the claim for this. But had it been notified of the claim sooner, the additional costs Ms W feels are the responsibility of AXA for the outstanding water bill arrears would not have been incurred.*

*I agree with our investigator that AXA should deal with Ms W's claim. But I think it's fair that it considers only the costs it would have incurred to find and repair the damage. I also think it's fair that it covers any additional costs for the months from October 2019 to June\* 2020 that Ms W incurred for her increased water usage for this period only. After this point, I think it is likely Ms W should have been aware there was a potential issue with her property and a claim should have been raised at the time.*

*\*AXA took a number of months to deal with Ms W's claim and during this time, the water continued to escape from the leak. So although I think the February 2020 bill should have provided notice of the leak, I think it is unlikely AXA would have fixed the leak immediately or reduced the cost from this point. So to be fair, I've added what I consider to be a reasonable time for the repair work to have been completed.*

*AXA may still believe that it would be fair to rely on its exclusion for gradual wear and tear but as I say, I think it would have always been responsible for fixing the leak. There is no indication that the repair works needed would have been less had this been addressed in February 2020. So I plan on asking it to cover the costs associated with the repair.*

*AXA didn't ask for the information about Ms W's water usage until the claim had been with it a number of months. I think this will have slowed down its ability to make a claim decision sooner and this would have added to the distress Ms W is experiencing. It originally accepted the claim but even when making payment, failed to pay the correct amount and I can see why Ms W became upset with the level of service received. Because of this, I agree that AXA should pay Ms W something to reflect this. But I feel an amount of £250 is fair.*

#### *The cost of Ms W's policy*

*Ms W has also questioned whether the cost of her policy has been affected by the claim and if she is being treated fairly.*

*AXA has provided a breakdown of how the policy is priced. I can't share this with Ms W as it is commercially sensitive but I've reviewed whether the policy has been impacted by the claim. From the information provided, I'm satisfied the price hasn't increased unfairly. Despite AXA saying the claim has impacted the price, it appears this has had little impact on it.*

*AXA has shown the increases are in line with its normal pricing strategy and it's increasing costs to provide the insurance. I understand the frustration Ms W may have at this increasing when it has repudiated the claim, but insurance often isn't a static price and this can increase overtime. If Ms W is unhappy with the price, she has the option to shop around and she has demonstrated she's done this previously after only moving to AXA in 2019.*

*To put things right, I'm planning on asking AXA to do the following:*

- *Cover all costs incurred by Ms W in relation to the leak being traced and fixed.*
- *If Ms W has paid these previously, pay 8% simple interest on the payment from date of payment to date of settlement.*
- *Cover the increased cost in Ms W's water bills from October 2019 to June 2020. As Ms W has continued to only pay £40 per month, I don't think AXA needs to add interest to this payment.*
- *Pay Ms W £250 compensation for the distress and inconvenience caused through the handling of this claim.*

AXA responded to say it accepted the provisional decision and had nothing further to add.

Ms W replied to say she broadly accepted, but she wanted to highlight one thing. She said the pandemic had impacted her loss. She agreed it was likely she spoke with her water supplier in March 2020, but due to the restrictions in place at this time, it was unable to visit her property and confirm that the leak wasn't its responsibility. Until it visited she believed it would identify and fix the leak and that she wouldn't be responsible for the increased costs.

She asked that I consider this when thinking about the redress and my direction for AXA to pay the increased costs of her water bill from October 2019 to June 2020 only.

### **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 reconsidered this complaint and thought about what Ms W has said in response. Having done so, I see no reason to depart from my provisional decision set out above.

I understand the pandemic and restrictions put in place at the time made it difficult for companies to carry out their normal functions. And the delay in her supplier visiting meant she wasn't told that it wasn't responsible for the leak sooner. But I don't think it's fair to say that this increases AXA's liability under the claim here.

I understand Ms W has insured her property for a number of years and that she feels she has cover in place with AXA which meets the value of her total claim. But I've explained why I think there was a point in time that Ms W should have been aware, or ought to reasonably have been aware there was an issue. And I've allowed an additional number of months on top of this when thinking about whether it was reasonable that AXA, if notified, would have been able to repair the issue and stop the damage from this point. I still think what I've recommended is a fair assessment of this point in time. Ms W herself acknowledges it was likely she spoke with her supplier in March 2020. And with this in mind, I see no reason to change what I've recommended previously.

If Ms W feels her water supplier has added to her loss by not being able to visit the property sooner because of the pandemic, she may wish to contact it directly and ask that it reduces the amount she owes to reflect this. But I don't think it would be fair to ask AXA to increase the costs it needs to cover in relation to the increased water usage as a result of the leak.

### **Putting things right**

For the reasons set out above, AXA Insurance UK Plc need to do the following to put things right:

- Cover all costs incurred by Ms W in relation to the leak being traced and fixed.
- If Ms W has paid these previously, pay 8% simple interest on the payment from date of payment to date of settlement.
- Cover the increased cost in Ms W's water bills from October 2019 to June 2020. As Ms W has continued to only pay £40 per month, I don't think AXA needs to add interest to this payment.
- Pay Ms W £250 compensation for the distress and inconvenience caused through the handling of this claim.

### **My final decision**

I uphold Ms W's complaint against AXA Insurance UK Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 22 September 2022.

Thomas Brissenden  
**Ombudsman**