

The complaint

Mr E complains AA Underwriting Insurance Company Limited hasn't offered him a fair amount to settle his home insurance claim.

What happened

Mr E made a claim after a tree fell during a storm and damaged his roof. Mr E had the tree removed and undertook temporary repairs. AA appointed a surveyor, and following the surveyor's visit, Mr E submitted a quote for the permanent repairs. Mr E's quote was £4,020, which included VAT.

AA offered £1,358.60 for the permanent repairs, less the £350 excess, *i.e.* £1,008.60. AA also offered to pay £271.72 for VAT on receipt of a valid VAT invoice. Because Mr E was unhappy with the cash settlement offer a complaint was raised.

In response to Mr E's complaint, AA noted that as per the policy terms, if the policyholder chooses to use their own contractor, the cash settlement will be limited to the amount it would have cost AA to do the repairs.

However, AA noted it hadn't yet requested Mr E's tree removal invoices, and it had failed to provide Mr E with the call transcripts he had previously asked for. To apologise, AA sent Mr E £150 compensation.

Mr E remained unhappy about the claim settlement, so he brought a complaint about that to our service. Mr E noted he has paid £5,605 for the repairs, so after his £350 excess, he's claiming for £5,255. AA has only paid him £2,438.60:

- £1,150 for the tree removal
- £280 for the temporary repairs
- £1,008.60 for the permanent repairs

One of our investigators considered the complaint, but she didn't think it should be upheld. Because Mr E 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've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."

Mr E's costs

I'll start by clarifying Mr E's costs. When contacting our service, he quoted £5,605. However, based on the quotes and invoices I've seen, it's my understanding the correct figure is £5,560:

- Tree removal company one: £600

- Tree removal company two: £660
- Temporary repairs: £280
- Permanent repairs: £4,020

The policy terms

There's a term in Mr E's policy that explains a cash settlement will be limited to the amount AA would have to pay for the repairs if it was to use its own contractors. However, AA can't reasonably rely on that policy term unless it has offered its own contractor, or the policyholder hasn't given AA an opportunity to use its own contractor.

The offer of AA's contractors

AA says it offered Mr E its contractors during a call on 12 January 2022, but he declined. I've listened to that call. AA's agent explained AA wanted to offer a cash settlement of £1,008.60. In response, Mr E explained he thought AA would be responsible for the repairs. The agent acknowledged Mr E would like to use AA's contractors, but she noted AA's contractors probably couldn't start until around March/April.

Mr E explained he couldn't get the repairs done for the amount offered and invited the agent to provide details of a contractor who could do the work for that amount. The agent advised him if he was unhappy with the cash settlement offer, he could provide a breakdown of his quote for further consideration. Because Mr E was unhappy the agent offered to raise a complaint. Mr E agreed and the call ended amicably.

An offer to use AA's contractors wasn't actually made during the call, and having listened to the call, in my view, the agent inferred AA's contractors weren't a viable option or indeed on offer. The only options given to Mr E was £1,008.60 or to submit a more detailed quote. No information was provided to Mr E about the process of using AA's contractors, and nor was any reassurance offered about what would happen should the temporary repairs fail whilst waiting for AA's contractors to become available. I can understand why Mr E left the call with the impression only a cash settlement was being offered.

I accept Mr E's quote provided limited information about the work to be done and how the costs were broken down. However, the question of relevance here, is whether Mr E was offered AA's contractors.

Mr E called AA again on 29 January 2022. We haven't been provided with a copy of this call, but I've seen AA's call notes. The notes show that whilst Mr E was waiting to hear back from AA about his complaint, the temporary repairs had failed during a further storm.

As I understand it, AA offered Mr E a 'without prejudice payment' for the amount previously offered, and it told him the issues caused by the further storm may not have arisen had he already done the permanent repairs. I also understand Mr E felt he was left with no option but to get the permanent repairs completed for the quote he had received.

Evidently, the reason the permanent repairs hadn't been undertaken yet was because AA's contractors weren't available, and AA hadn't agreed to meet Mr E's quote in the meantime. In my view, AA ought reasonably to have offered to cover further temporary repairs whilst Mr E either waited for AA's contractors or whilst he obtained a more detailed quote.

I find it reasonable Mr E went ahead with the permanent repairs given AA hadn't offered to cover further temporary repairs, and AA had implied he was responsible for any further issues having not yet carried out the permanent repairs.

So, based on the information that has been provided, I'm not persuaded it can reasonably be said Mr E was offered AA's contractor. I also haven't seen Mr E refused AA's contractor or insisted on a cash settlement. But rather, the cash settlement route was driven by AA. Therefore, I'm not persuaded AA can fairly limit the settlement to its contractor rates.

The cash settlement amount

Given the limited information on Mr E's quote, I accept it wasn't unreasonable for AA to have required a further breakdown before agreeing to meet it. However, as explained above, I can also understand why Mr E went ahead with the quote given AA's response so far. So, in the circumstances, I consider it fair and reasonable for AA to now settle the claim based on Mr E's invoice.

Furthermore, the cash settlement was based on AA's scope of work, and I'm not persuaded the scope reflected all the required repairs. AA's surveyor reported the roof tiles had been damaged across both elevations and the area requiring renewal was approximately 30m². However, AA's scope of work was based on 10m².

I also note that whilst AA offered to pay £271.72 for VAT on receipt of a VAT invoice for the roof repairs, it hasn't paid this sum despite having received a VAT invoice.

Putting matters right

To put matters right, I intend to decide AA should meet Mr E's £4,020 roof repair invoice, less his £350 excess, i.e. £3,670. AA has so far paid £1,008.60, so a further £2,661.40 would be due.

AA would need to pay 8% simple interest per annum on the £2,661.40, from the date Mr E paid the roof repair invoice to the date of settlement.

I note AA hasn't paid the £110 VAT for the £660 tree removal invoice. Should Mr E provide AA with a valid VAT number for that tree removal company, AA will also need to settle this amount.

I also intend to award Mr E a further £100 compensation for the upset and inconvenience caused by AA's handling of his claim and its cash settlement offer, on top of the £150 compensation previously paid."

Both parties accepted my provisional decision.

Mr E also clarified the £45 difference between the £5,605 and the £5,560 figures. The £45 was for a security camera that was damaged by the tree. However, he says the item was later withdrawn from the claim because he couldn't find the purchase invoice. Mr E also noted he had provided AA with the VAT invoice for the tree removal.

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.

Having reconsidered all the information that has been presented, I've reached the same outcome I reached in my provisional decision, for the same reasons. Given both parties accepted my provisional decision, I'll simply focus on the two points Mr E noted in his response.

In respect of the damaged security camera, I won't comment on this item given it's not being pursued as part of the claim and it didn't form part of the complaint.

In respect of the tree removal, I've seen two invoices from different companies. One invoice was for £600, and it didn't include VAT. AA has settled the £600. The other invoice was for £550 plus £110 VAT, *i.e.* £660. However, the invoice didn't include a VAT number and AA has only settled £550. Mr E says he provided AA with the VAT invoice in May 2022, but if he's referring to the invoice I've seen (which doesn't have a VAT number), he'll need to obtain a VAT number from the company concerned and provide it to AA.

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 E a further £2,661.40 for his roof repairs, plus 8% simple interest per annum from the date Mr E paid the invoice to the date of settlement.
- pay Mr E £110 for the VAT on his £660 tree removal invoice, subject to Mr E providing a valid VAT number for that company; and
- pay Mr E a further £100 compensation.

If AA considers that it's required by HM Revenue & Customs to deduct income tax from any interest paid, it should tell Mr E how much it's taken off. If requested, AA should also give Mr E 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 E to accept or reject my decision before 30 November 2022.

Vince Martin
Ombudsman