

## **The complaint**

Mr and Mrs S have complained that AXA Insurance UK Plc have paid less in settlement of their claim under their home insurance policy than they should have done. Mr and Mrs S also complained to AXA about some delays on their part in making payments to them, but I understand this aspect was resolved by AXA making various compensation payments and that Mr and Mrs S do not want me to consider it.

All references to AXA include their claim handling agents and the policy administrator.

## **What happened**

Mr and Mrs S's home was damaged by a fire in May 2019, which started in the garage. They put in a claim to AXA. Having investigated it AXA said that, whilst they would pay the cost of repairing the damage to Mr and Mrs S's home and to replace the damaged contents, they wouldn't pay the full amount it would cost. They explained this was because they'd established their home was only insured for around 57 percent of the full rebuilding cost and their contents were only insured for around 80 percent of their full replacement cost. So AXA paid roughly 57 percent of the cost of repairing Mr and Mrs S's home and roughly 80 percent of the cost of replacing or repairing the contents damaged by the fire. AXA also paid for alternative accommodation for Mr and Mrs S up until December 2020.

Mr and Mrs S, with the help of a loss assessor, complained to AXA. They said that the method AXA had used to calculate the rebuilding cost of their home at the time of the claim was wrong. And they provided a valuation by a surveyor they'd appointed.

AXA maintained they had calculated the settlement on the right basis. So, Mr and Mrs S asked us to consider their complaint. When our investigator asked Mr S to clarify exactly what their complaint was, he mentioned that they felt that they'd been underpaid, as the rebuilding cost of their home at the time of the fire was closer to £500,000, as opposed to the amount of nearly £650,000 suggested by AXA. They also said there were no issues with the amount paid for alternative accommodation, except that they felt it could have been paid for longer to allow longer for the repairs to be completed, in light of the difficulty in getting materials during the pandemic. They didn't mention the reduction in the amount paid on their contents claim again, but this did form part of their original complaint.

Our investigator upheld Mr and Mrs S's complaint. He said that the fair and reasonable outcome on the buildings claim was to use an average of the rebuilding cost suggested by AXA's surveyor and the higher one provided by Mr and Mrs S's surveyor. This meant he thought a further cash payment was due to Mr and Mrs S on the buildings claim.

He explained he wasn't satisfied AXA had provided sufficient evidence to prove Mr and Mrs S's contents were insured for less than they should have been. And he said AXA should pay them what they had deducted from the contents settlement for underinsurance. He also said AXA should pay interest on the extra amounts due.

AXA agreed to make the extra payment on the buildings claim with interest. However, they didn't agree to make the additional payment on the contents claim. They maintained they'd

provided sufficient evidence to show Mr and Mrs S's contents were underinsured.

Mr and Mrs S didn't say whether or not they agreed with the investigator's suggested outcome. However, I spoke to Mr S to clarify some points and it was clear he still thought AXA paid less than they should have done on both his buildings and contents claims. I asked Mr S why he and Mrs S didn't increase the sums insured under his policy when they renewed it in December 2018. He explained that all the renewal documents were sent to his brother by the broker acting for both him and his brother, who'll I'll refer to as O, and he never actually saw them. Instead, he was told what he needed to pay by his brother and just paid it. He explained he thought his buildings sum insured was likely to be unlimited.

I also asked AXA to explain why they appeared to have relied on an 'average clause' that wasn't actually in the policy wording that applied when Mr and Mrs S's renewed their policy in December 2018 prior to their claim. They replied and agreed that the policy wording they'd suggested applied didn't actually apply. And they pointed out there was still a requirement for Mr and Mrs S to make sure their sums insured were adequate in the policy document that did apply. And they pointed out this also said AXA may reduce the amount they pay on any claims if they were underinsured.

I issued a provisional decision on 2 November 2022. In this I provisionally decided that AXA were entitled to reduce the amount they paid on Mr and Mrs S's claim for the damage to their home. This was on the basis they were underinsured at the point they claimed and at the renewal of the policy prior to this. But, I said AXA should pay 63% of the amount due on the claim, as opposed to the 57% they had paid. And that AXA should pay interest on the further amount due.

On Mr and Mrs S's claim for contents I provisionally decided AXA couldn't reduce the amount due, as they hadn't provided sufficient evidence to show Mr and Mrs S were underinsured so far as their contents were concerned. I said that in view of this AXA would have to pay the further amount due to Mr and Mrs S, plus interest.

I also provisionally decided what AXA had paid for alternative accommodation was fair and reasonable.

I gave both parties until 16 November to provide further comments and evidence.

AXA have responded to say they accept my provisional decision and they have provided calculations to show the extra amounts due for both the buildings and contents claims.

Mr S provided some further comments. He said he accepts my provisional decision. But he doesn't think the amount paid by AXA to the company they used to clean their property and dispose of or rescue the contents, who I'll refer to as C, should be deducted from what is due on their contents claim.

I sent the calculations provided by AXA to Mr S and he has said he is happy with them.

### **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.

As both parties accept my provisional decision, I see no reason to alter my view of the fair and reasonable outcome to Mr and Mrs S's complaint, as set out in it.

I agree with Mr S's point that the amount paid to C should not be deducted from what is due

on the contents claim, as this related to costs AXA should bear. This is correctly reflected in AXA's calculations.

### **Putting things right**

I've checked AXA's calculations and I'm satisfied they are correct. So is Mr S. I've set them out below:

For the buildings claim:

Total amount due - £131,281.31  
63% of this - £82,707.23  
Amount paid by AXA to date - £75,949.60  
Additional amount due - £6,757.63

For the contents claim:

Total amount due - £50,949.15  
Amounts paid by AXA:  
To Mr and Mrs S – £36,034.81  
To Mr and Mrs S's loss assessor - £2,675.42  
Additional amount due to Mr and Mrs S – £12,238.92

The amounts paid to Mr and Mrs do not include anything in relation to the payments made to C.

For the reasons set out above and in my provisional decision, I have decided AXA should pay the above amounts to Mr and Mrs S, plus interest at 8% per annum simple from the date they made their claim to the date of actual payment.

### **My final decision**

My final decision is that I uphold Mr and Mrs S's complaint and require AXA Insurance UK Plc to pay them the amounts set out above, plus interest as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 20 December 2022.

Robert Short  
**Ombudsman**