

The complaint

Mr W complains about the way AXA Insurance UK Plc handled and settled a claim against his buildings insurance policy.

What happened

Mr W reported a storm damaged his garage in 2021. AXA accepted the claim, and, despite delays, cash settled it based on their preferred supplier rates. They say Mr W started repairs before authorisation and the quotes he provided were excessive and included betterment.

Mr W says AXA delayed the claim after their surveyor attended, and he provided a quote, in December 2021. He says the garage was unsafe – supported by AXA’s surveyor’s report – and he was concerned further damage to his neighbour’s linked garage could occur, and costs increase. He says he was left with no option but to start works due to AXA’s tardy handling of the claim. He complained to AXA about the way they handled and settled it.

AXA responded to it in May 2022 saying the claim wasn’t handled as expected and paid Mr W £150 compensation. They maintained, however, the claim was settled fairly. Mr W remained unhappy and approached our Service for an impartial review.

Our investigator recommended it be upheld. He thought Mr W acted reasonably by starting the repairs when he did due to the way it was handled. He recommended AXA settled the claim based on the market rates available to Mr W, not their preferred rates, and pay Mr W a further £100 compensation for any distress and inconvenience caused.

AXA responded disagreeing. They said, broadly, the garage didn’t require a full rebuild, Mr W’s quotes were excessive, and they settled it fairly. As they didn’t agree the case was passed to me for a decision.

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.

Both parties have raised several points in relation to this matter – I haven’t addressed each one. We’re an informal Service and so focus on the pertinent points.

Was Mr W’s claim a valid claim?

Yes. AXA’s surveyor’s December 2021 report suggests they communicated to Mr W during this visit the claim was valid. AXA subsequently accepted and settled the claim, so it was a valid one.

What does the policy say about how AXA will settle a claim?

It says AXA will repair, replace, or cash settle the claim. It also says where AXA can offer a repair or replacement through a preferred supplier, but a cash settlement is agreed, the cash settlement amount will not exceed the amount they would have paid their preferred supplier.

Mr W says he was left to provide AXA with quotes and later, in April 2022, received a cash settlement that was far too low. He also says he wasn't provided with any other options, and the claim notes support this was the case. AXA say they wouldn't have opted to undertake the repairs because of the contents of the quotes Mr W provided in any case. So, I don't think it was fair for AXA to cash settle the claim based on their preferred supplier rates in this case.

Whether it was reasonable for Mr W to start repairs when he did

Mr W says he was concerned over the safety of the garage, potential damage being caused to his neighbour's linked garage, and costs rising, amongst other things. I think his concerns were reasonable and justified. I say this because AXA's surveyor also reported the garage became unsafe following the storm, the roof was compromised due to the wall coming down – which needed replacing, along with the front and side walls needing to be rebuilt.

I've also reviewed photos of the damage which suggest the storm caused substantial damage. It can be seen that only a portion of the left-hand wall referred to by the surveyor remained. So, as above, I'm satisfied his concerns were reasonable – he says he was eager for repairs to start, and AXA delayed matters due to the way they handled it. AXA acknowledged their handling of things when paying Mr W £150 compensation.

Whether AXA should cover his reasonable costs he's now out of pocket for

As per the policy terms, AXA had the option to cash settle the claim based on their preferred supplier rates if either a repair or replace is offered. The claim notes don't support that was the case here, so I don't think their cash settlement amount they offered Mr W in 2022 reached a fair and reasonable outcome.

Mr W was faced with delays and poor claim handling and felt he had to make a decision. I find his decision was reasonable here due to AXA's failings. He instructed a builder – that provided the cheapest quote – to start the works due to his concerns over the safety of the garage, and potential for further damage and costs to occur. I don't think it's fair Mr W should be out of pocket as the result of making this decision, because I think it was a reasonable one for him to make.

I note AXA say the garage didn't require the extensive works the builder quoted for. Their surveyor reported the roof needed removal and replacement, the front and side walls needed to be rebuilt, and debris removed. AXA say their surveyors are experienced in handling such claims – which I don't doubt. The surveyor noted they were aware Mr W had a builder visiting the following day to provide a quote. So, it's fair to say the surveyor ought to have informed Mr W during their visit what repairs were in scope, how they should be achieved, and the options available to AXA under the policy to settle it. The claim notes don't support this occurred.

Mr W's builder assessed the damage and considered further damage would occur once parts of the garage were removed. This doesn't seem unreasonable based on photos I've reviewed. So, I'm not satisfied Mr W's builder's quote was excessive or unreasonable. I note both parties accept the initial quotes included betterment, and Mr W later removed items – such as the PVC doors and windows, and the window that wasn't there prior to the claim from the quote. And replaced them with timber framed windows and doors that were there

prior to the storm. I think this was reasonable as the policy is designed to indemnify Mr W, and AXA aren't liable for covering any items considered as betterment.

Summary

I think AXA could have done more to take control of the claim and communicate with Mr W about what to expect and the settlement options available. Although Mr W says AXA informed him there is no set time limit to settle claims, they're required to resolve them promptly, which I don't think they did here.

I don't find Mr W's decision to start the works when he did unreasonable or unjustified. And I'm not satisfied AXA were fair to settle the claim based on their preferred supplier rates, based on the reasons mentioned above. So, I'll be directing AXA to increase their cash settlement amount for the claim to reflect the market rates available to Mr W when instructing his own builder to complete the works.

I don't think AXA handled things well here and I've no doubt this would have caused Mr W a level of distress and inconvenience – over and above what's naturally expected following a claim of this nature. I'm in agreement a further £100 compensation is fair, so I'll also be requiring AXA to pay this to Mr W.

Putting things right

AXA Insurance UK Plc must now increase their cash settlement amount and pay Mr W the cost to him to complete the claim-related garage repairs following the storm (deducting any amounts already paid). This shouldn't include any payment for items considered as betterment, such as the PVC doors and windows, or the additional window that wasn't there prior to the claim. They must also pay Mr W a further £100 compensation.

My final decision

For the reasons I've given above, my final decision is I uphold this complaint. I now require AXA Insurance UK Plc to settle the complaint as set out under the heading '**Putting things right**'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 17 February 2023.

Liam Hickey
Ombudsman