

The complaint

Mrs P has complained about the way AA Underwriting Insurance Company Limited handled a claim she made under her home insurance policy for damage caused by a storm.

What happened

Your text here In February 2022 Mrs P's home was damaged by a named storm. Mrs P was recovering from surgery, is elderly and disabled. Mrs P contacted AAUICL to make a claim. Due to the increased number of claims received during this time, AAUICL encouraged Mrs P to make her own arrangements to have interim repairs carried out.

Mrs P contacted several roofers without success. She says she pleaded with AAUICL to assist her. In March 2022 a Surveyor visited Mrs P's home. Mrs P says the Surveyor advised her the claim was valid, and the repairs should be undertaken swiftly. She says he advised her of an estimated costs for repairs at over £5,000 exclusive of VAT.

In April 2022 Mrs P chased AAUICL for an update on her claim. AAUICL acknowledged that the Surveyor's estimate was for over £5,000 and that it would need to approve the costs.

AAUICL told Mrs P it would take six months for an approved supplier to carry out the works to her roof. After considering the Surveyor's estimate for costs, it offered Mrs P a cash settlement of £2,608.25 excluding VAT and before the excess was deducted.

Mrs P raised a complaint with AAUICL. In the meantime she made arrangements for a roofer who was immediately available to carry out the works to repair roof damage to two roofs at her property. The invoice provided by Mrs P's roofer shows final costs of £5,500 including VAT.

A week later AAUICL told Mrs P it would be able to arrange for an approved supplier to carry out the works. But by this time Mrs P had instructed the roofer who was available immediately and works had started.

AAUICL upheld Mrs P's complaint in part for some poor service. It said it didn't record her authority to speak to her representative which led to multiple calls by the representative to AAUICL. For this error it paid Mrs P £100 compensation.

However, AAUICL said it dealt with Mrs P's claim correctly.

Mrs P asked us to look at her complaint. Our Investigator asked AAUICL to provide a breakdown of how it reached its cash settlement.

AAUICL provided a screenshot showing a breakdown of the scaffolding cost amounts and the final settlement AAUICL decided on.

The Investigator recommended Mrs P's complaint should be upheld. He recommended AAUICL meet the costs Mrs P paid to have the repairs carried out. Keeping in mind the policy terms, he also considered what was fair and reasonable. Given Mrs P's circumstances and the steps she had taken to try and mitigate her losses - and given the timeframe AAUICL gave of six months for its approved supplier to carry out the works - he thought a fair outcome was for AAUICL to pay the amount Mrs P paid - which was similar to the

Surveyor's estimate of costs. He didn't find that AAUICL had shown its calculations for the cash settlement had been reached in a fair and reasonable way.

The Investigator recommended AAUICL pay Mrs P £200 compensation for the distress and inconvenience caused by the way it settled the claim. This was in addition to the £100 it had already paid

AAUICL didn't agree. It says it cannot provide us with something it doesn't have. It says there is no evidence the Surveyor discussed the estimate of costs with Mrs P.

So the case has been passed to me to decide.

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.

AAUICL's policy sets out how it will handle claims:

"How we will settle your claim:

At our option we will:

- *Repair or replace the damaged part using our supplier or:*
- *Make a cash payment if you wish to use your own supplier*

If we make a cash payment we will only pay you what it would have cost us using our suppliers and therefore the amount you receive may be lower than the cost charged by your suppliers."

We look at what the policy says, but we also look at what is fair and reasonable.

AAUICL accepted Mrs P's claim for storm damage. Our Investigator asked AAUICL to provide a breakdown of the Surveyor's estimate of costs for repairs.

AAUICL said it couldn't provide this as the information is added directly onto its system notes. Its notes show an entry on 13 April 2022 which reads that AAUICL were satisfied with the Surveyor's costings apart from the scaffolding costs.

From reading AAUICL's investigation notes, they show the following in relation to a call between its agent and Mrs P

"I have listened to the call with (AAUICL's agent's initial inserted here) on 12/04/22 and he advises the costs are being reviewed because the SV (surveyor) report is over £5,000 and once the costs have been reviewed and validated we will come back to her but he doesn't tell the PH (policyholder) they are covered, that is very clear."

So I'm satisfied that the Surveyor provided AAUICL with an estimate of costs to repair Mrs P's home of over £5,000. And this is in line with the figure Mrs P says the Surveyor discussed with her when he visited.

We asked AAUICL to show how it arrived at a final cash settlement sum of £2,608.25 as this seemed to be well below the Surveyor's estimate. In line with the policy terms, AAUICL can pay a reduced cash settlement. But it needs to show that it reached this settlement in a fair and reasonable way.

AAUICL provided a screenshot showing two amounts for scaffolding which I assume were quoted by the Surveyor - along with two reduced amounts decided by a member of AAUICL. The amounts were for £1,920 & £1,440 - with AAUICL's final settlement sums as £960 and £600 respectively.

When asked to provide details of the rates used and how these figures were reached, AAUICL provided a matrix which we cannot share as this is commercially sensitive information. However, the matrix provided isn't enough to show that AAUICL's decision was reached in a reasonable way as it only relates to the scaffolding sums. There is no breakdown of the costs for labour or materials for roof repairs. Clearly from AAUICL's notes, the Surveyor did provide a figure of over £5,000 to AAUICL but I'm unable to follow how AAUICL reached a final cash settlement sum of £2,608.25.

I don't think it reasonable for an insurer to expect a consumer to wait for six months to have roof repairs carried out - and refuse to meet the reasonable costs to have the repairs carried out much sooner. When AAUICL told Mrs P it could arrange repairs sooner, Mrs P had already made alternative arrangements. I think this was a reasonable approach for Mrs P to have taken with the information she had at the time.

As I think AAUICL had acted unreasonably in the way it settled Mrs P's claim, I think it should pay her £200 compensation for the unnecessary distress and inconvenience it caused. It should pay interest on the costs Mrs P paid for roof repairs at our recommended rates which I've set out below. I think these are costs AAUICL should have promptly reimbursed Mrs P for to settle her claim in a fair way.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require AA Underwriting Insurance Company Limited to do the following:

- Subject to reasonable proof of payment, reimburse Mrs P for the costs to repair her roof minus any cash settlement already paid and excess deduction.
- Pay interest on the reimbursement at a rate of 8% simple interest a year from the date Mrs P to the date of reimbursement.
- Pay Mrs P £200 compensation for the distress and inconvenience caused in addition to compensation already paid of £100.

AA Underwriting Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mrs P accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 16 January 2023.

Geraldine Newbold
Ombudsman