

## The complaint

Mr S and Mrs A are unhappy that AXA Insurance UK Plc offered a reduced settlement amount for a claim they made on their home insurance policy.

As Mr S has primarily dealt with things, for simplicity I'll refer to him only.

Reference to AXA includes its agents and representatives.

## What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- In 2020, Mr S took out home insurance underwritten by AXA. It renewed in 2021.
- Mr S got in touch with AXA after an outbuilding suffered damage during bad weather. He provided a quote for around £8,000 to put the damage right.
- AXA accepted the damage was covered by the policy and agreed to settle the claim. But it said Mr S had underinsured the outbuildings. It thought they should have been insured for around £45,000 but were only insured for £7,500, or about 17%.
- AXA said the most it would pay would be 17% of the claim value. It also said Mr S would have to show the roof had been maintained over the last ten years.
- Mr S said he'd had the roof inspected every 5-7 years. AXA seemed to accept this but maintained the claim value would be reduced. Mr S complained about this but AXA's position didn't change.
- Our investigator thought the complaint should be upheld. She'd asked AXA to show why it thought Mr S hadn't given a reasonable figure for the outbuildings – and, if the figure he gave was unreasonable, what impact that had had on AXA. But it hadn't provided any of this information. So in these circumstances, she didn't think it would be fair for AXA to reduce the claim. She asked it to settle the claim in full and pay £150 compensation.
- Mr S accepted what our investigator said. AXA didn't. It said it hadn't looked at whether Mr S had provided a reasonable figure – or the impact it may have had – it was only relying on an underinsurance policy term to reduce the claim settlement. It noted the term was referenced in the Insurance Product Information Document (IPID) provided to Mr S.
- AXA later provided some information to suggest it may have charged a higher premium had Mr S provided a higher figure for the outbuildings. Our investigator still wasn't persuaded it would be fair to reduce the claim settlement.

## 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.

AXA relied on a policy term to reduce the amount it offered to settle the claim. In summary this term says that if the amount Mr S is insured for is less than the rebuild cost, the claim will be settled at the percentage Mr S is insured for. AXA says that's around 17% for outbuildings.

I'm satisfied the term is in the policy and is clearly worded. And I can see it was mentioned in the IPID. However, I'm not persuaded it would be fair and reasonable for AXA to rely on it in this case. I'll explain why.

Whilst I recognise AXA is seeking to rely on the policy term only, it's doing so because it doesn't think Mr S gave the right information at the renewal prior to the claim, in 2021. So I think it's relevant to consider what happened then – and what impact, if any, there was on the renewal if Mr S didn't give the information he should have done.

According to the policy term, AXA wanted to know how much it would cost to completely rebuild all Mr S' 'outbuildings'. Within the policy, this word is defined so its full meaning is explained. It says it includes, amongst other things, detached garages, sheds, fences, driveways and patios. AXA is entitled to set the definition as it sees fit and to ask for the full rebuild cost in order to decide how much to charge for providing insurance cover.

As far as AXA is concerned, it wanted to know the full rebuild cost for the 'outbuildings' and didn't receive a reasonable answer. *If I were to agree Mr S' answer was unreasonable, I would go on to consider what impact that had on AXA. So, if Mr S had said the rebuild cost was around greater than £7,500 as AXA thinks he should have done, what difference – if any – would that have made to AXA?*

It's unclear how AXA has arrived at a figure of £45,000 and whether this is fair. There's no evidence to suggest it visited Mr S' property, so I'm unsure how it would be able to accurately estimate the rebuild cost of the outbuildings.

But even if I accepted £45,000 is a reasonable figure – and Mr S should have insured his outbuildings for this amount – it's not clear it would have made any difference to AXA. Our investigator asked for this information several times. After she reached a view on what a fair outcome would be, AXA eventually provided some information to suggest the premium may have been higher for a higher sum insured. But it's not clear and persuasive and seems to be based on the assumption that £45,000 is a reasonable figure.

Given the uncertainty about what a reasonable figure is and the impact that would have on the premium, I'm not satisfied AXA has shown it would be fair to reduce the claim settlement. I'm not persuaded it's shown Mr S gave an unreasonable figure – or, if he did, what a reasonable figure would have been and what the corresponding impact on the premium would have been. In these circumstances, I don't think it would amount to a fair and reasonable outcome for Mr S' claim to be reduced by relying on the policy term.

To put things right, AXA should settle Mr S' claim without relying on the policy term to reduce the settlement value.

It's now many months since Mr S provided AXA with his quote and the claim hasn't moved any further forward. This has been caused by AXA unfairly relying on the policy term. In the

circumstances, I'm satisfied it should pay compensation for the avoidable distress caused by the delay. I think £150 as suggested by our investigator is reasonable.

### **My final decision**

I uphold this complaint. I require AXA Insurance UK Plc to:

- Settle the claim without reliance on the underinsurance policy term and subject to the remaining terms and conditions of the policy.
- Pay £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr S to accept or reject my decision before 19 May 2023.

James Neville  
**Ombudsman**