

## **The complaint**

Mr and Mrs B complain about how AXA Insurance UK Plc handled and settled their claim on their home insurance policy following a fire at their property.

Throughout this complaint Mr and Mrs B have been represented by a third party. However for ease of reading I'll refer only to Mr B. All references to Mr B include the actions of Mrs B and their representative

## **What happened**

Mr B had home insurance with AXA. In May 2020 there was a fire at his property that caused substantial damage. He made a claim.

AXA accepted the claim and later agreed to Mr B appointing a surveyor to oversee the required work.

When the claim was made AXA were informed that Mr B and his family weren't living permanently at the property as they were about to undertake some significant renovations.

AXA initially queried whether full policy cover would apply, but later accepted it would as Mr B had called to inform it of his intentions before the work started. However the planned renovation work made the claim more difficult to settle, as AXA was only required to pay for damage caused by the fire, and not work to change or renovate the property.

Over the months that followed there was much debate over the scope of work that would be covered by AXA. Initially both sides agreed to cash settle the claim, but due to a requirement to get authority from Mr B's mortgage provider this was later changed to settlement based on reinstatement. This required Mr B to provide invoices for work as it was completed, for AXA to validate and pay.

However AXA didn't agree to pay the full costs Mr B and his surveyor requested. It said Mr B hadn't provided a detailed scope of works setting out what the costs were for, which meant it was unable to validate whether the amounts would be covered under the policy or not.

It initially agreed a final total payment (for buildings costs) of around £221,000.

Mr B wasn't happy with this as he said there were outstanding costs. He said surveyor fees hadn't been paid as had been agreed, and the cost for the work was over £330,000 so AXA hadn't paid enough to restore the property. He was also unhappy that AXA had only agreed to pay for ten months disturbance allowance when it should have been for longer .

He made a complaint and AXA upheld it. It said it would increase its final settlement to around £264,000, it would pay 12 months disturbance allowance and £500 compensation to make up for the delay in settling the claim.

Mr B wasn't happy with this offer as he said AXA still hadn't paid the full amount due based on the scope of works from his surveyor, which had increased further due to increases in building costs. He brought his complaint to this service.

Our investigator considered the issues and recommended the complaint be upheld. He thought AXA should pay for a new report from an independent surveyor who would decide what claim related work is outstanding, and AXA should settle the claim based on their recommendations. He also thought AXA should pay an additional £500 compensation for delays throughout the claim.

Mr B accepted our investigator's outcome, however he wanted his own surveyor to complete the report as he was familiar with the claim to date.

AXA agreed to pay the compensation, however didn't agree that a new report would be helpful. It said as most of the damage was now repaired it would add no value. And Mr B had failed to demonstrate the claim related costs and the onus was on him to do so. AXA asked for the complaint to be reviewed by an ombudsman.

On 31 January 2023 I issued a provisional decision that stated as follows:

*'Claim related costs*

*This claim has been complicated by the fact that Mr B had just started to renovate the property. This meant that if he was to complete works to rectify the fire damage and to bring it up to the standard he was planning to renovate, then a proportion of the cost wouldn't be covered under the policy, as it is only required to rectify damage and not to make improvements.*

*Due to this, it's reasonable that AXA asked to validate the invoices and scope of works for the work that was being completed. So that it could confirm that the work it was paying for was covered by the policy.*

*Mr B provided a breakdown of the costs of the work and invoices from his contractor. However the detail contained in these was minimal. The documents didn't provide a breakdown of what the total was made up of or the exact work that was being carried out. This made it difficult for AXA to understand whether the costs were related to the claim or not.*

*I can see that AXA queried this numerous times throughout the claim and asked for further detail about the costs. But as this wasn't forthcoming, it calculated a settlement amount based on what it considered to be a fair amount.*

*I've considered this and I don't think AXA has acted unreasonably here. As it is only obliged to pay for claim related costs, it is reasonable and usual that it will need to validate the work that is to be completed to make sure this meets its liability and doesn't exceed it. Even more so in a case where renovation work was taking place. And it was unable to do this effectively, because the invoices provided had minimal detail. And even the scope of works didn't provide a breakdown of costs.*

*AXA has calculated what it considers to be a reasonable settlement, based on the information it had available. And in the absence of a detailed breakdown from Mr B I think this was a fair approach to ensure the work could be progressed but without going above its liability.*

*If Mr B considers this to be below what is required to cover the claim related costs, it's for him to evidence this by providing a more detailed breakdown of the costs he is claiming, that includes a full breakdown of what each amount is for and evidence of any related price rises. As he hasn't done this, I don't think AXA has acted unfairly.*

*Should Mr B provide a more detailed breakdown I would expect AXA to consider this and re-look at its final settlement if necessary. But up until this point, I don't consider AXA's actions in regards to the settlement to be unfair or unreasonable. I therefore won't ask it to take any further action in this regard.*

*Further, Mr B has said that AXA hasn't paid his surveyor's fees as agreed. However from looking at AXA's calculations, these appear to have been included in the payments it's made. If Mr B doesn't think AXA has paid enough for these, he will need to demonstrate this through detailed invoices of the costs that remain outstanding. But as he has been unable to do this up until now, then I don't think AXA has acted unfairly.*

### **Compensation**

*From looking at the correspondence between Mr B and AXA and its agents, I think the claim could have been moved forward more promptly. There is a period of time between around June 2020 and February 2021 where very little progress is made on the claim. It's clear there were delays caused by both sides, however as the insurer, I think AXA could and should have done more to make it clear to Mr B what it required from him in order to move the claim forward. Instead conversations covered the same ground and the claim reached a deadlock.*

*While AXA explained to Mr B a number of times that it required more detail in the scopes he was providing, it was clear that he wasn't understanding exactly what was required as he continued to provide invoices with little detail. Further, a lot of time was spent between June and December 2020 discussing a cash settlement, that was later abandoned due to the requirement of sign off from Mr B's mortgage lender. And while AXA provided a letter that he could give to his mortgage provider, this wasn't until a long time into the discussion. As an insurer it is likely AXA will have a much greater understanding of this process than Mr B, so it should reasonably provide information and guidance about the process in order to assist him. And I think this could have been done a lot sooner.*

*Further, Mr B has explained that he has three children of school age, and they had to stay away from their home for a significant amount of time. While this couldn't have been avoided completely, as the fire would always have meant he'd need to move out for a period, as AXA delayed the claim unnecessarily this meant he was out of the home for longer which no doubt caused additional distress to him and his family.*

*Because of this I agree with our investigator that AXA should pay an additional £500 compensation to make up for the distress and inconvenience it caused due to these unnecessary delays.'*

### **Response to my provisional findings**

AXA responded to accept my provisional findings.

However Mr B didn't accept my proposed outcome. He provided a detailed response that explained again why he doesn't think AXA had acted fairly. The response included many points, but in summary the ones I consider key were:

- The tin hat that was put on the property to protect it from bad weather took ten weeks to put in place and Mr B had to raise it numerous times. In this time significant damage had been caused to the house by the bad weather. This increased claim costs and distress caused and Mr B felt this hadn't been considered in my review.
- The complaint was dealt with poorly by AXA and it took a long time for it to investigate and have a final response issued.

- AXA's loss adjuster had said to Mr B at a site visit that the invoices he provided for payment wouldn't need to contain much detail and that's why he only provided one page documents.
- My provisional decision was incorrect as they didn't ever agree to cash settle, it was just an option that was explored and rejected by them.
- My provisional decision simplified the matter which meant the complaint wasn't properly considered.
- Mr B said to AXA that he would provide more detail, but AXA just said that the claim had been fully settled so there wasn't the opportunity for Mr B to do so.
- AXA has now said a new report would add no value because all the repairs have been completed, even though this is what it's requested at various times since the repair work was completed.
- It wouldn't be fair for Mr and Mrs B to pay for a report to show what costs haven't been paid, this should be covered by AXA as recommended by our investigator.
- The provisional decision doesn't once refer to ICOBs even though Mr B pointed out that there have been various breaches.

### **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.

I understand Mr B has been through a difficult time with this claim and therefore feels strongly about what has happened. He's provided substantial information to support his complaint that amounts to over 1,500 pages of documents. I want to assure him I've considered everything he's said and provided very carefully when reaching my decision.

However, we're an informal dispute resolution service, set up as a free alternative to the courts. I therefore haven't commented directly on every point Mr B's raised. Instead I've focussed my review on the issues that I consider to be key. I note Mr B has said he considers that I've simplified matters and that this shows I've not considered the complaint properly. I want to reassure him that I have considered everything provided. And the fact I have kept my review to the key issues isn't meant as a discourtesy, but instead just reflects the informal nature of this service.

I want to add that while Mr B provided around 200 documents in response to my provisional decision, the vast majority of these had already been provided as part of his original submission. And anything that had been provided previously, I had already considered when reaching my outcome.

### **Claim related costs**

I understand Mr B feels strongly that AXA hasn't paid the full amount for the claim and understandably feels that he's been done a disservice as a result. However this is a complex claim. And the costs are made more complex by the fact that there is a plan for additional renovations to be carried out and the necessary claim related costs have likely increased as the claim has progressed. As I'm sure Mr B understands, AXA are only obliged to pay for what is covered under the policy. And because of these complexities and variances, it is very important that it is able to validate the work that has been completed to make sure the costs are claim related and would be covered.

The invoices that have been provided to AXA to pay are limited to just detailing the amount the work has cost, with no detail of what work this relates to. And the table provided by Mr B

of the costs paid and those not, provides no more detail about what the costs relate to. While I appreciate Mr B feels this is enough to validate the claim, in practise this just shows that he's paid more on work to the property than AXA has paid. It doesn't show that there are claim related costs that are outstanding, and that is the crux of the matter. It's reasonable for AXA to ask for information about what work these costs relate to and in the absence of this detail, AXA has made a substantial payment based on their assessment of what was claim related work. And in the absence of further evidence to prove this isn't enough, I still think this was a fair approach.

Mr B has said that he was told by AXA's loss adjuster that he would only need to provide invoices with very limited detail on, in order for payment to be made. And while I don't doubt this account, AXA has asked for further detail on the work that was being invoiced for throughout the claim. So I think this would have been enough to show that the limited invoices weren't sufficient.

Mr B has also said that the fact a tin hat wasn't added to the property until ten weeks after the event caused additional damage to the property as rain was able to get into the interiors. I agree this delay is likely to have caused some additional damage due to the property being unprotected. And AXA has agreed that additional work will have been required to rectify this. However AXA factored this into the claim settlement it paid and I've not seen any evidence that the cost of rectifying the damage hasn't been covered in the settlement. I recognise the delay in having the tin hat installed was frustrating and caused Mr B the inconvenience of having to repeatedly ask AXA to install it. And I factored this in when I considered the compensation AXA should pay for distress and inconvenience.

Mr B has expressed that he doesn't think it fair that he should have to cover the cost of a report to show if there is claim related damage that hasn't been paid for. And I understand why he feels that way. However AXA has paid what it considers to be all claim related costs and, as I said in my provisional findings, based on the information it had available I think it's done this fairly. If there are costs outstanding then it's for Mr B to evidence this. And from the detail provided so far, he's not done enough to show this. Should he pay for a report that subsequently proves there are additional claim related costs that haven't been paid I'd expect AXA to consider reimbursing the cost of the report.

### **The contents of my provisional decision**

Mr B has commented on several elements of my provisional decision that he considers to be inaccurate. For example he says that the cash settlement was only ever considered and was rejected by him rather than being due to the fact he couldn't get agreement from his mortgage provider. I apologise if he feels I have misrepresented the facts. However I want to reassure him that the details in question have no bearing on my decision on the case as they don't relate to the key issues in dispute.

He's also said that in his original submission he detailed the ways in which he feels AXA hasn't met its obligations under various rules and guidance, including the Insurance Conduct of Business Sourcebook (ICOBS) and the FCA's Dispute Resolution rules (DISP). However I failed to reference any rules or guidance in my decision. I want to assure Mr B that when making decisions we consider all the relevant rules and guidance, as well as industry best practice, when considering whether a business acted fairly and reasonably. So while I've not referenced these, I have taken them into consideration as part of my decision making process.

### **Compensation**

After considering everything again, I am satisfied that my conclusion that AXA should pay an additional £500 compensation to make up for the additional distress and inconvenience it caused is a fair one, for the reasons I have outlined previously.

### **My final decision**

For the reasons I've given, I uphold Mr and Mrs B's complaint and direct AXA Insurance UK Plc to pay an additional £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 24 March 2023.

Sophie Goodyear  
**Ombudsman**