

## **The complaint**

Mrs K is unhappy with the settlement offered by AA Underwriting Insurance Company Limited (the AA) following a claim under her home insurance.

## **What happened**

In February 2022 damage was caused to the roof of Mrs K's property during a storm, so she made a claim to the AA, her home insurance provider.

Mrs K was advised to obtain her own quotes for repair, as the AA would likely be cash settling the claim. A surveyor was also appointed by the AA. They inspected the damage and sent a report to the AA.

Mrs K submitted a quote for repairs to the AA totalling £2,950, plus £150 for temporary emergency works. The AA didn't accept the quotes, and instead offered £773.50 (after deduction of the £350 excess) for storm damage repairs and also agreed to settle the £150 invoice for emergency repairs. The AA said not all the damage being quoted for was storm related as there was wear and tear, they said their offer was for what it would cost them to repair the storm damage only.

Mrs K was unhappy with the settlement offer from the AA and approached this service.

Our investigator looked into things and issued several assessments on the complaint. This is because her view of what was fair and reasonable changed a number of times. Ultimately, the investigator said the AA had acted fairly by only accepting the ridge tiles and localised repairs to the flat roof, as she was persuaded the remainder of the repairs weren't covered.

As an agreement couldn't be reached the case was passed to me to decide.

I reached a slightly different outcome to our investigator. So, I issued a provisional decision, to give both parties an opportunity to comment on my initial findings, before I reached my final decision.

## What I provisionally decided – and why

In my provisional decision, I said:

*“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.*

*Having done so, I’ve reached a slightly different outcome to our investigator, and I’m minded to direct the AA to do something different to what our investigator recommended to put things right. So, I’m issuing a provisional decision, to give both parties an opportunity to comment on my initial findings, before I reach my final decision.*

*Mrs K has submitted a quote for repair totalling £2,950. This is for:*

- *Supplying and installing scaffolding*
- *Removing, supplying and installing a new felt roof*
- *Supplying and fitting lead flashing*
- *Replacing any broken tiles*
- *Removing and refixing of the ridge tiles*
- *Rubbish removal*

*The AA says that not all the damage being claimed or quoted for is storm related, instead they say some of the damage is wear and tear and due to poor workmanship. So, the AA has offered a cash settlement for what they say it would cost them to carry out storm related repairs only.*

*The AA has offered a settlement of £1,273.50 before the £350 policy excess is deducted. This includes £150 for emergency works. The net total for the storm repairs being offered is £773.50. The AA has accepted and included the following in the settlement:*

- *Temporary repairs*
- *Scaffolding*
- *Removal and refitting of ridge tiles*
- *Localised repair to the flat roof*
- *External protection of the existing finishes and rubbish removal*

*The dispute here is around the extent of repairs covered under the claim and policy, and the appropriate settlement for that. Our investigator’s view of things changed several times, I’ll outline this below as I’m minded to agree with some parts of the assessments and what they said the AA needed to do to put things right.*

### *The initial assessment by the investigator*

*Our investigator initially said that the AA had agreed to cover the cost of all the tiles, so she only went on to consider the flat roof part of the claim and the cash settlement amount.*

*The investigator said the AA's surveyor report was very brief and she didn't think the AA had shown there was poor workmanship or wear and tear. So, she said it wasn't fair or reasonable for the AA to only partially settle the claim for the flat roof. She also said that the AA chose to cash settle the claim, rather than complete repairs. So, she said it wasn't fair for the AA to limit the cash settlement to their own costs and concluded the AA should meet the full cost of Mrs K's quote, with 8% interest added.*

*Mrs K agreed, but the AA didn't. They said the method of the flat roofing construction was incorrect, and this was highlighted by the storm weather. Therefore, the AA maintained that only a patch repair to the flat roof was covered. They also said the tiles and remaining roof was in poor condition and this was historical rather than being the result of the storm.*

*In light of the response and additional comments, the investigator revisited matters.*

#### *The second assessment by the investigator*

*The investigator revisited her conclusions that the AA hadn't sufficiently shown the exclusion applied to the flat roof damage. She thought the AA had provided sufficient evidence that the construction method wasn't correct, and that this had been highlighted by the storm. So, she said the AA only partially accepting the flat roof repairs wasn't unreasonable.*

*But the investigator also said the AA had accepted the full tiles repairs, but maintained that it wasn't fair for the AA to limit the cash settlement to their own costs of carrying out works. So, she said that the AA needed to pay Mrs K's quote for completing the tiled roof repairs, subject to Mrs K providing evidence of the tile repair costs. And she said 8% simple interest should be added.*

*Mrs K didn't agree and said she wanted all the repairs covered. The AA didn't say whether they agreed or disagreed. As an agreement couldn't be reached, the investigator said the case would be reviewed by an ombudsman for a final decision.*

#### *The third assessment by the investigator*

*Whilst the case was awaiting a review by an ombudsman, the investigator revisited things.*

*The investigator explained that she'd previously thought the AA had agreed to cover the full tile repairs, and the only dispute on this point was whether it should be at the AA or Mrs K's costs. But she realised this wasn't correct. Instead, the AA had only agreed to cover the refitting of the ridge tiles, not replacing all the tiles. Therefore, she considered whether that was reasonable.*

*The investigator said that having viewed images of the roof, she thought there were signs of gradual damage and wear and tear, which is excluded under Mrs K's policy. So, she said it wasn't unreasonable for the AA to only cover the ridge tiles and exclude the remainder.*

*The investigator also said her view remained as previously about the flat roof, that the AA was only responsible for the partial repair, not the full replacement.*

### My provisional findings

For clarity, I'll consider the flat roof, the tiled roof, and the appropriate method of settlement separately below.

#### The flat roof

Mrs K has had a quote for the full replacement of her flat roof. The AA says the flat roof has been poorly constructed, and that's the dominant and main cause of most of the damage, but there are some parts which they accept are storm damaged. Therefore, they've only agreed to cover part of the repairs as storm damage, rather than the full replacement.

Having considered all the information provided, I'm minded to conclude the AA has acted fairly by only partially accepting the flat roof repairs. I'll explain why.

When we consider complaints about storm damage claims, we take into account the following questions, and if any of the answers are no then it's likely a claim won't succeed:

- Were there storm conditions?
- Is the damage consistent with storm type damage?
- Was the storm the main or dominant cause of the damage?

It isn't disputed that a storm occurred, so I don't need to decide point one. And a storm could cause damage to a flat roof, therefore the first two questions are potentially satisfied.

However, the AA says the flat roof was poorly constructed, and this was highlighted by the weather rather than the storm being the main or dominant cause of damage (question three).

The AA have said that the felt on the flat roof overlaps the tiles and therefore isn't secured, and this isn't the correct building method. They say this has resulted in the wind being able to lift the felt, and had it been correctly fitted, this wouldn't have happened. So, they say the weather has highlighted the existing workmanship issue, rather than being the main cause of the damage.

Having considered all the information provided, I'm minded to agree with what the AA says here as the images support this. These show that the felt doesn't appear to be secured, and I'm persuaded this has then been highlighted by the weather at the time.

Therefore unless anything changes as a result of the responses to my provisional decision, I'm minded to conclude the AA has acted fairly by declining the full flat roof replacement, and limiting cover to the patch repair which they were able to conclude was storm related damage.

#### The tiled roof

Mrs K's quote is for both removing and refitting the ridge tiles and replacing any broken tiles. The AA has accepted the ridge tile removal and replacement is covered, but they say the remainder of the tiles, which Mrs K has submitted a repair quote for, are suffering wear and tear rather than storm damage.

*I've considered this in line with the approach explained above regarding storm damage. A storm isn't disputed and damage could be caused during a storm. So again, questions one and two are potentially satisfied.*

*However, having reviewed images of the remaining roof tiles, I'm minded to agree with the AA that they are showing signs of historic wear. I say this because from the images, multiple tiles have slipped, cracked, showing signs of historic deterioration and corroded mortar, along with moss and debris being present.*

*Mrs K's policy excludes*

*"Loss or damage arising from gradually operating causes including deterioration, wear and tear, corrosion, rot or similar causes."*

*With this in mind, unless anything changes as result of the responses to my provisional decision, I'm minded to conclude the AA has acted fairly by only accepting the ridge tiles under Mrs K's claim as I'm persuaded this is the only element of storm damage.*

#### *The claim settlement*

*As outlined above, and to summarise, unless anything changes as a result of the responses to my provisional decision, I'm minded to conclude the AA has acted fairly by only accepting the ridge tiles and localised flat roof repairs – and the associated scaffolding and clear up costs.*

*The AA has offered settlement of £773.50 for this (after excess deduction and separate to the emergency repair costs which they've also accepted). The AA say this is based on the costs if they were to carry out repairs, rather than the costs Mrs K would incur. They say this is in line with the following in Mrs K's policy terms:*

*"How we will settle your claim*

*At our option we will:*

- Repair or rebuild the damaged part using our suppliers; 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.*

*If a repair is not carried out, or if the loss or damage involves part of the building that is in a poor state of repair or redecoration, then we will decide to either:*

- a) pay the cost of rebuilding or repairing the damage, less a deduction for any wear and tear; or*
- b) pay the difference in market value of the building immediately before and immediately after the damage. This will not exceed what we would have paid under point a)."*

*Therefore, the terms do outline that if the AA decide to cash settle, then it would be at their costs, rather than Mrs K's. However, I don't think that's fair or reasonable in the circumstances. I'll explain why.*

*If the AA had offered to carry out repairs but Mrs W had wanted to use her own contractor instead, then the approach taken by the AA might not be unreasonable. However, here, Mrs W would rather the AA carry out repairs, but it is the AA who has decided to cash settle the claim. So, the settlement being offered needs to be sufficient for Mrs K to be able to get the works completed. I don't think it is fair and reasonable for the AA to restrict settlement to their costs, if they aren't willing to complete those repairs. Therefore, the AA need to pay the costs that Mrs K would incur in having those works completed.*

*Mrs K's quote is for £2,900. But this includes works above and beyond those which I'm minded to say are covered under the claim. And the quote isn't itemised or broken down, instead it's for a total of £2,900 to include everything. So, it's unclear what the cost would be to Mrs K for only those covered works to be carried out by her contractor.*

*Therefore unless anything changes as a result of the responses to my provisional decision, I'll be directing the AA to settle Mrs K's claim for what it would cost her in carrying out those repairs, subject to Mrs K providing evidence of this.*

*My understanding is that the AA has already paid what they have offered as an interim payment. Therefore, if Mrs K has already arranged for the works to be carried out, 8% simple interest should be added to any additional amounts, above the settlement already paid by the AA, from date of payment of the invoice to date of settlement.*

*The AA has already paid the £150 invoice for temporary repairs, so the above repair settlement is separate to that. And the AA has already deducted the £350 excess from the interim payment already made – and the excess deduction from the overall claim isn't unreasonable. So that would also need to be taken into account in calculating the remainder of the payment due to Mrs K.*

*To be clear though, I'm not asking either party to provide quotes or settlement figures in response to my provisional decision, instead they need to confirm whether they are in agreement with the proposal I've outlined.*

*If my final decision remains the same as my provisional decision, and Mrs K accepts, then they'll both need to discuss the appropriate settlement amount directly. If any further dispute arises after that about the settlement amount, that would be a new complaint, which Mrs K may be able to bring to this service – subject to our usual rules and timescales.*

#### The service

*As I've outlined above, I'm not minded to conclude the AA reached an unfair overall outcome on what items to include or reject under Mrs K's claim. However, I don't think the way the AA has reached the cash settlement – based on their own costs – is reasonable.*

*I've also listened to the calls Mrs K had with the AA, and the AA wasn't clear in explaining the settlement to Mrs K. The amounts changed a number of times which caused confusion.*

*The AA has also said that one of the settlements offered included a supplier fee, so should never have been included. But due to the error, it meant one of the offers made to Mrs K was higher than the AA had intended. And when later reduced, this caused additional confusion and concerns for Mrs K as the AA wasn't able to explain the decrease in the settlement which she was already unhappy with.*

*Along with calculating the cash settlement incorrectly, I also think this could have been communicated more clearly to Mrs K how the settlement was calculated and what was and wasn't covered.*

*In addition to what I've outlined above that I'm minded to direct the AA to do to put things right in relation to the claim, I'm also minded to direct the AA to pay Mrs K £150 compensation for the inconvenience and confusion caused."*

So, I was minded to uphold the complaint in part and to direct AA to:

- Cash settle the claim for the storm damage repairs already accepted as covered, but in line with Mrs K's repair costs – subject to Mrs K providing evidence of this
- If Mrs K has already had repairs completed, add 8% simple interest to any additional cash settlement amount above the interim cash settlement already paid by the AA, from date of payment of the invoice to date of settlement
- Pay Mrs K £150 compensation

### **The responses to my provisional decision**

Mrs K responded to my provisional decision. She said AA's surveyor didn't go onto her roof and instead relied on photos of the roof, and said her estimate was reasonable. She also said AA's view that the roof was poorly constructed goes against the council planner's view.

Mrs K also said the repair work has already been completed as it's over a year since the storm. And she also said she'd like me to decide the specific amount to be paid as part of this final decision.

The AA didn't respond to my provisional decision by the deadline set.

### **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.

And I've thought carefully about the provisional conclusions I reached. Having done so, my final decision remains the same as my provisional decision.

I note Mrs K's comments that the surveyor didn't go onto her roof and instead relied on photos. Whilst that may be the case, I'm satisfied the images and remainder of the information provided support the conclusions ultimately reached by AA.

I also acknowledge what Mrs K has said about the council planners view of the flat roof. This was information Mrs K provided to our investigator previously, so is something I took into account when reaching my provisional decision. However, the flat roof works were part of a major extension to Mrs K's property. And the documents provided show what was submitted to planning, but not what was inspected or signed off individually.

When considering the flat roof part of the claim, I explained how I'd done this in line with our usual approach to storm claims and complaints. And I don't think the storm was the dominant cause of damage. Therefore, I'm satisfied AA has acted fairly by declining the full flat roof replacement and limiting cover to the patch repair which they were able to conclude was storm related damage.

Neither party has provided anything which leads me to depart from the conclusions I reached about the tiled roof. So, my decision on that aspect remains the same – that the AA has acted fairly by only accepting the ridge tiles under Mrs K's claim as I'm persuaded this is the only element of storm damage.

My final decision also remains the same as my provisional decision in relation to how the claim should be settled – at Mrs K's costs, rather than restricted to the AA's.

I acknowledge Mrs K has said she wants me to decide the specific amount of the claim settlement here in my final decision. However, as explained in my provisional decision, Mrs K's quote is for £2,950. But this includes works above and beyond those I've decided are covered under the claim. The quote isn't itemised or broken down. So, it's unclear what the cost of those works covered is and consequently that's not something I can decide as part of my final decision here.

Therefore, I'm directing the AA to settle Mrs K's claim for what it would cost her in carrying out those covered repairs, subject to Mrs K providing evidence of this.

My understanding is that the AA has already paid what they have offered as an interim payment. Therefore, if Mrs K has already arranged for the works to be carried out, 8% simple interest should be added to any additional amounts, above the settlement already paid by the AA, from date of payment of the invoice to date of settlement.

The AA has already paid the £150 invoice for temporary repairs, so the above repair settlement is separate to that. And the AA has already deducted the £350 excess from the interim payment already made – and the excess deduction from the overall claim isn't unreasonable. So that would also need to be taken into account in calculating the remainder of the payment due to Mrs K.

If any further dispute arises after that, about the settlement amount, that would be a new complaint, which Mrs K may be able to bring to this service – subject to our usual rules and timescales.

And my final decision remains the same about the compensation, and for the same reasons.

### **My final decision**

It's my final decision that I uphold this complaint in part and direct AA Underwriting Insurance Company Limited to:

- Cash settle the claim for the storm damage repairs already accepted as covered, but in line with Mrs K's repair costs – subject to Mrs K providing evidence of this
- If Mrs K has already had repairs completed, add 8% simple interest\* to any additional cash settlement amount above the interim cash settlement already paid by the AA, from date of payment of the invoice to date of settlement
- Pay Mrs K £150 compensation

\*If AA Underwriting Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs K how much it's taken off. It should also give Mrs K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 25 April 2023.

Callum Milne  
**Ombudsman**