

The complaint

Mrs W and Mr W complain about AXA Insurance UK Plc (“AXA”) for the way it has handled their claim following a fire at their home. They want AXA to reimburse them for the costs they have incurred and to be compensated for their distress and inconvenience.

What happened

Mr W and Mrs W insured their home with AXA.

In spring 2022, their home suffered a fire, causing extensive damage. The family initially stayed with relatives, and they submitted their claim to AXA.

The claim was handled by AXA’s agent, A, operating under a delegated authority.

As Mr W and Mrs W’s policy included cover for alternative accommodation, up to £75,000, they identified a rental property that suited their needs and moved in. As, however, the area where the family lives is a holiday destination, the available rentals were short term holiday lets, which charged a high rental price. Their rent for the alternative accommodation was £200 per night and was due to be increasing to £230 per night as the summer season began.

AXA’s loss assessor discussed with Mr W and Mrs W the necessary works at the property, and how the costs of alternative accommodation could be minimised. They suggested that Mr and Mrs W engage contractors to begin quickly, and that when some basic facilities were reinstated the family would move back into the home and live there alongside the remaining works.

Mr W and Mrs W agreed to this and they began engaging contractors, who had worked for them previously, in order to expedite the repairs. It was understood that they would not need to obtain other quotes.

When the basic works were completed, the family moved back in, but had to live upstairs full-time as the downstairs was incomplete and was not safe for Mr W and Mrs W’s child or dog to be there unattended.

They used a makeshift kitchen, which they had set up in their garage, and took all meals upstairs. They had to shower as the bathroom was not available, despite this causing upset to their young child.

Mr W and Mrs W agreed works with the contractors, and paid for the work directly, expecting that they would be reimbursed by AXA.

As the cost of the claim increased towards the limit of the agent’s delegated authority, handling of the claim was handed back to AXA.

Thereafter, AXA was concerned that multiple quotes had not been obtained, and AXA felt that the costs of the work were too high. AXA carried out desk-based costings for the work and offered Mr W and Mrs W lower amounts for work that had been already expended.

Mr W and Mrs W complained.

AXA sent its final response in November 2022. It acknowledged that there had been implied agreement from its agent to go ahead with the scope of works but rejected their complaint. AXA considered that it was entitled to rely on the cost of works determined by its surveying tools.

AXA agreed to honour some costs that had been incurred but offered lower sums on other works, and requested that more quotes be obtained for the remaining work. Mr W and Mrs W remained unhappy and contacted us.

Our investigator looked into this matter and set out their view to the parties. This was that AXA was entitled to rely on its calculation of a reasonable settlement, and to require evidence from Mr and Mrs W, but that AXA should also pay to Mr W and Mrs W £500 for their distress and inconvenience.

Mr W and Mrs W did not accept that view and asked for an ombudsman decision.

I issued a provisional decision in respect of this matter in April 2023. In that provisional decision I explained that I thought that there had been agreement between Mr and Mrs W and AXA's agent, which they then relied upon, that they should engage contractors as soon as possible and without going through a particular process. I therefore felt that it was unfair for AXA to then retreat from that agreement after Mr and Mrs W had acted and incurred costs and liabilities. I considered that AXA should reimburse them for all costs expended, and honour any agreements that Mr and Mrs W had entered into, and should pay them compensation. For any works which were not yet underway, AXA could carry out these works themselves, or agree to reimburse Mr W and Mrs W for those works.

That decision has been shared with the parties and they have been invited to comment.

AXA has indicated that it accepts my provisional decision, although it does not consider it reasonable, and Mr and Mrs W have indicated that they accept the 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.

As no arguments or evidence have been submitted to disagree with my provisional decision and reasons, I remain of the view expressed in that decision and I adopt it as my final decision. My provisional decision included a typographical error and referred in one section to the wrong business. This was a slip and the decision ought to have referred to AXA throughout.

My final decision

For the reasons set out above and in my provisional decision, I uphold Mr W and Mrs W's complaint and direct AXA Insurance UK Plc to:

- Reimburse all costs incurred by Mr W and Mrs W in commissioning works covered by their claim. This should include costs, VAT, interest and any penalties that have been incurred.
- Add to the reimbursement described above interest at a rate of 8% per annum from the date when Mr and Mrs W incurred the expenditure up to settlement;
- Consider all outstanding works required by Mr and Mrs W and decide whether:
 - i) AXA's own contractors will undertake the work,
 - ii) to cash settle based on quotes, or
 - iii) to set out in writing reasons why the work is not covered under the claim;
- To ensure that any work to be undertaken by AXA's own contractors is scheduled, and details of the planned work are provided to Mr and Mrs W within 28 days of this decision becoming binding; and
- To pay to Mr and Mrs W £2500 compensation for their distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 29 June 2023.

Laura Garvin-Smith
Ombudsman