

The complaint

Mr F and Miss S are unhappy with the amount Aviva Insurance Limited (Aviva) offered to settle their claim following an escape of water.

Mr F and Miss S jointly held buildings and contents insurance underwritten by Aviva. For ease of reading, I'll refer only to Mr F throughout my decision and any reference to Aviva includes its agents.

What happened

The details of the complaint are well known to both parties, so I won't go into detail. Instead, I'll summarise the key points here and move on to explain my decision.

Mr F claimed under his policy after a pipe burst, causing damage to his ceiling and kitchen units. Aviva accepted the claim. However, Aviva's cash settlement offer was around half the amount of Mr F's repair quote.

Unhappy with Aviva's offer, Mr F complained. Aviva had a second survey done and the offer increased slightly, but still nowhere near Mr F's quote. Aviva issued a final response explaining that the difference was because Mr F had quoted for a full new fitted kitchen, whereas his policy didn't provide cover for undamaged matching items. That said, Aviva offered £100 by way of apology for the issues Mr F experienced with the settlement.

Mr F brought his complaint to us.

Our investigator didn't think Aviva had done enough. She said a fair approach to the issue of matching items would be for Aviva to contribute 50% towards the replacement cost of the undamaged items. Mr F asked about alternative accommodation because Aviva hadn't offered it. Our investigator thought Aviva should also consider whether alternative accommodation would be required.

Aviva didn't agree with the proposal to pay 50% towards undamaged items. It said when Mr F bought his policy online, he didn't select matching items cover which would've attracted a higher premium. Therefore, Aviva didn't think it would be fair if it provided Mr F the same cover as that for which other customers had paid a premium.

Aviva also pointed out that alternative accommodation would be considered under the policy when work was agreed, so it hadn't reached the appropriate point in the claim to make an offer.

I issued a provisional decision in July 2023 explaining that I was intending to uphold Mr F's complaint. Here's what I said:

provisional findings

The details of the claim aren't in dispute, and Aviva accepted that an escape of water caused damage to Mr F's home. Aviva confirmed it would cover the cost of the ceiling repairs. The issue, then, is whether Aviva made a fair settlement offer in respect of the

kitchen units.

Policy

Aviva offered a settlement to cover the cost of repairing or replacing the damaged kitchen units and worktop. Mr F's quote was for a full kitchen replacement.

The policy doesn't provide cover for undamaged matching sets. Aviva provided a copy of the policy summary which shows that when Mr F bought the policy, there was a choice of three levels of cover. The summary table clearly shows that matching sets wasn't covered by the policy Mr F chose but he could've selected matching sets as additional cover with a higher premium.

The information provided at point of sale was clear, so I think it's more likely than not that Mr F made an active choice not to take out additional cover which included matching sets. So, I can understand why Aviva didn't offer to contribute towards the cost of repair or replacement of the undamaged kitchen units.

Undamaged units

I've looked at the photos Mr F provided which show all the units in his kitchen. There are around nine units visible in the photos, four of which were originally damaged by the escape of water. Mr F confirmed the units are no longer available to buy. Because of this, through no fault of its own, Aviva can't put Mr F back in the position he was in before the damage happened. It can pay to replace the damaged units, which will give Mr F a complete kitchen again, but he'll have suffered a loss of match. That means four units in a prominent location within his kitchen would look different to the rest.

It would be unfair to ask Aviva to pay for a full replacement kitchen when Mr F didn't select and pay for the additional cover. But it's also unfair that Mr F has a kitchen in worse condition than before the damage happened. Although we often recommend that insurers contribute 50% towards the undamaged items, that is only the case when the insurer hasn't made it clear that either matching items cover wasn't available, or that it was available to buy as an optional extra. As I've already said, Aviva made this information clear when Mr F bought the policy, so I don't think the 50% contribution is warranted here.

That said, I do think Aviva should compensate Mr F for the loss of match. Aviva will already be paying for four of the nine units to be replaced. If I asked Aviva to pay 50% of the undamaged units, Mr F would be getting a full new kitchen for the cost to him of two and a half cupboards. That doesn't feel fair when he hadn't bought the additional cover. Therefore, I plan to require Aviva to pay 25% of the cost to match or replace the undamaged fitted kitchen parts which would otherwise be a visible mismatch when the cupboard doors are shut. I think that represents a fair contribution. As the compensation would be a cash payment, it would be up to Mr F how he uses it. For example, he may wish to use it as part payment of a full replacement kitchen, or he may prefer to have just his damaged units replaced or use the contribution towards a bespoke matching service.

I understand Mr F and Miss S may be disappointed with my provisional decision. However, unless they provide compelling evidence, I'm minded to think that a greater contribution to the undamaged units would be an unfair benefit to them given that other customers paid an additional premium for the peace of mind the additional cover brings.

Alternative Accommodation

Mr F said Aviva hadn't offered alternative accommodation which he said he was entitled to

under the policy.

Aviva explained that it hadn't reached the appropriate point in the claim to offer alternative accommodation. In light of its comments, I'm minded to agree that it's not fair to consider this point in my provisional decision because to do so would be in anticipation of a service shortfall. Therefore, I don't plan to ask Aviva to do anything about this point. If the time arises that alternative accommodation becomes an issue, Mr F would need to raise his concerns directly with Aviva in the first instance.

I said I was minded to require Aviva to:

- pay 25% of the cost to match or replace the undamaged units which would otherwise be a visible mismatch to the rest of the kitchen.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr F asked for clarification of the claim settlement amount Aviva would pay if it contributed 25% towards the undamaged kitchen units. After we explained that Aviva will determine the final settlement amount, Mr F accepted my provisional decision and asked for the matter to be finalised so they could get their home repaired.

Aviva didn't agree with my provisional decision. It questioned how it would be fair to other customers who had paid for the additional cover if Mr F and Miss S benefited from a contribution to undamaged units provided by a policy extra they chose not to buy.

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.

Having done so, I've decided to uphold Mr F's complaint for the same reasons and in the same way that I set out in my provisional decision.

As Mr F accepted my provisional decision, I'll focus on Aviva's response.

I understand the point Aviva is making about Mr F benefiting from cover he didn't buy. But I don't agree that he would be receiving the same level of cover as he would've done if he'd chosen to buy the extra cover. In a similar situation, the customers who paid for the additional cover would be getting full cover for the undamaged parts of the kitchen. That's not what I'm asking Aviva to do here.

Mr F will need to incur costs if he wants his undamaged kitchen units replaced so that they match the new units covered under the policy. That's not benefiting from the policy in a way other customers, who'd paid the additional premium, would.

As I said in my provisional decision, Aviva can't put Mr F back in the position he was in before the damage because the kitchen cupboard doors are no longer available. Replacing just the damaged doors would leave Mr F with an obvious mismatch, which I think leaves him in a worse position than before the damage happened. It's for this loss of match that I think it's reasonable for Aviva to compensate Mr F. I don't expect Aviva to pay towards any part of the undamaged kitchen units which aren't immediately visible, so the contribution is likely to be relatively limited.

Overall, I'm satisfied that it's fair and reasonable for Aviva to make a 25% contribution

towards the undamaged kitchen units as compensation to Mr F and Miss S for the loss of match.

My final decision

For the reasons I've explained above, and in my provisional decision, I uphold Mr F's and Miss S's complaint and Aviva Insurance Limited must:

- pay 25% of the cost to match or replace the undamaged units which would otherwise be a visible mismatch to the rest of the kitchen.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Miss S to accept or reject my decision before 17 August 2023.

Debra Vaughan
Ombudsman