

The complaint

Mr R and Mrs C have complained about the settlement offered by AA Underwriting Insurance Company Limited (AA) following a claim under their home insurance policy.

What happened

Mr R and Mrs C contacted AA to make a claim for storm damage. Mr R and Mrs C said they had a quote for the work to repair their roof. AA said it would arrange for a surveyor to assess the damage. Mr R and Mrs C had the roof repaired. AA said it would settle the claim for the storm damage but at the amount it would have cost AA to do the work, not the amount Mr R and Mrs C had paid.

Mr R and Mrs C complained, as they said AA should settle the claim for the amount they had paid for the work. When AA replied it said Mr R and Mrs C hadn't complied with the terms and conditions of the policy by arranging the work themselves and that what it had offered was fair in the circumstances.

When Mr R and Mrs C complained to this service, our investigator upheld the complaint. She said the work to the roof was urgent and that it was therefore reasonable that Mr R and Mrs C had carried out the repairs. She said AA should cover the full cost of repairs.

As AA didn't agree, the complaint was referred to me.

I issued my provisional decision on 21 June 2023. In my provisional decision, I explained the reasons why I was planning to uphold this complaint. I said:

It doesn't seem to be in dispute that there was a valid claim for storm damage. The issue was whether it was reasonable for Mr R and Mrs C to arrange the work themselves and whether AA should settle the claim at the cost to itself or to Mr R and Mrs C.

So, I've thought about Mr R and Mrs C arranging the work themselves. When AA responded to the complaint, it said it hadn't had the opportunity to follow its standard procedure to validate the claim. I've listened to the phone call where Mr R and Mrs C first told AA about the damage. During that phone call, they said they had been trying to contact AA for several days. Mr R told AA he had obtained a quote and had only been able to find one company that could provide a quote. He said the scaffolding had been put up but the work itself hadn't started. He also said tiles had come off the front and the back of the roof and had caused further damage, including to their car.

AA told Mr R and Mrs C it would arrange for a surveyor to call to assess the damage and discuss the quote. When Mrs C asked for a timescale for this, AA was unable to provide one. At no point during the call did I hear AA say Mr R and Mrs C shouldn't proceed with the work, any discussion of carrying out a temporary repair rather than a permanent one or about any risks around them getting the work done, such as issues with it being able to validate the claim or the basis on which it would normally pay any costs.

I think it was clear from the phone call that an urgent repair to the roof needed to take place. I also think it was more likely than not that Mr R and Mrs C were left with the impression there wasn't any reason for them not to proceed with the work. So, I currently think it was reasonable Mr R and Mrs C had the work carried out themselves.

So, I've also thought about what AA should pay as a cash settlement. AA has said the cash settlement should be at the cost to itself. Mr R and Mrs C want it paid at the amount the work cost them. Given I've already said I don't think AA explained any of the issues around Mr R and Mrs C proceeding with the work, including how it was likely to consider any costs, I currently think AA needs to pay the cash settlement at the cost to Mr R and Mrs C. Without AA raising this, I don't think Mr R and Mrs C were able to make an informed decision about the risks around the costs if they went ahead with the work.

I've also considered how much of the work AA should pay for. I've looked at what was discussed about the roofing work. AA told Mr R and Mrs C there had been some betterment to the roof. Mr R seemed to agree with this due to a new dry vented system being installed. AA didn't need to pay for betterment as part of the claim. So, I don't think it needed to pay the full amount Mr R and Mrs C paid for the roof.

The roofing work was made up of two elements. The scaffolding and the roof work itself. I'm aware AA didn't think such extensive scaffolding was needed. I've considered the damage to the roof and the location and I haven't currently seen anything that persuades me the extent of the scaffolding was unreasonable. It cost £1,600 plus VAT. So, I think AA should pay that amount.

I've also looked at the cost of the roofing work. I'm aware Mr R said he thought the betterment work cost about £500. I haven't seen anything that shows me this was an unreasonable figure. So, deducting this from the total for the work means the cost of the roof work to Mr R and Mrs C was £1,300 plus VAT. So, I currently think AA should pay a total of £2,900 plus VAT.

I'm aware that while the complaint was with this service, AA made a further payment to Mr R and Mrs C. It is my understanding that AA hadn't necessarily intended to make this further payment at that time and that there was an internal misunderstanding about whether the complaint was still ongoing. I haven't seen any indication that AA plans to recover the money. In the circumstances, I don't think it would be reasonable for me to require AA to pay anything further to Mr R and Mrs C, including any additional compensation, as the amount AA has now paid already covers the full amount I intend to require it to pay for the work, plus an additional amount. However, if in response to my provisional decision, AA plans to recover any money from Mr R and Mrs C, I intend to revisit the issue of compensation. It's not my intention to influence AA one way or the other about the additional payment it made. I'm trying to be fair to both parties based on my current understanding of the point the claim settlement has reached and the amounts now paid to Mr R and Mrs C. Should those circumstances change, I would want to consider whether the resolution of this complaint remains fair, including whether AA should pay an additional amount as compensation.

I asked both parties to send me any more information or evidence they wanted me to look at by 19 July 2023.

AA didn't reply.

Mr R and Mrs C replied and confirmed they had received the full amount they had asked AA to pay. They also provided some calculations for the claim settlement. They said it would be wrong for AA to now ask for any money back.

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 uphold this complaint and for the reasons given in my provisional decision. I have considered the comments from Mr R and Mrs C, including confirmation of the amount received. I am aware AA didn't reply to my provisional decision. I have also again considered the total amount paid by AA in relation to this claim.

I remain of the view that AA should settle the claim at the cost to Mr R and Mrs C. I am of the view that Mr R and Mrs C were also caused inconvenience by the way their claim was handled for which they should receive some compensation. Taking into account the full circumstances of this complaint, including the total payments AA has already made to Mr R and Mrs C, I think what AA has paid is appropriate to cover the cost of the claim and some compensation.

Putting things right

AA needs to settle the claim at the cost to Mr R and Mrs C. Taking into account the amount AA has already paid, I think this is appropriate to cover the cost of the claim and some compensation for the way the claim was handled.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld. Taking into account the amounts AA Underwriting Insurance Company Limited has already paid in relation to this claim, I think this appropriately covers the cost of the claim along with some compensation and that it doesn't need to pay anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr R to accept or reject my decision before 21 August 2023.

Louise O'Sullivan
Ombudsman