

## The complaint

Mr and Mrs L have complained about the settlements their property insurer AXA Insurance UK Plc has paid for two claims following water leaks at their home.

## What happened

In late 2021 there was a leak above Mr and Mrs L's first-floor bathroom and one under the bath. The floor above the bathroom had to be lifted to fix the leak in that area and the bathroom ceiling was damaged by the water (claim one). The second leak under the bath affected the wall and floor tiling and the ceiling in the kitchen below (claim 2). There was a need for skips and the like in respect of all the water damage reinstatement work.

Mr and Mrs L claimed from AXA. It made settlements to them over a period of time based on what it said it would have cost it to undertake the necessary repairs. That included settlement of £5,000 for the hallway flooring, this being the policy limit for trace and access work. Ultimately it appeared to have paid about half of the cost for the water damage in claim one and less than a quarter of the costs for claim two, with nothing being paid for skips and the like.

In late 2022, with no more settlement forthcoming from AXA, Mr and Mrs L complained.

Our Investigator felt AXA had reasonably considered its cost for completing the work, and made settlements accordingly. He wasn't minded to uphold the complaint. It was passed to me for an Ombudsman's consideration. I felt AXA's settlements and reasoning for what it had paid were unclear. I asked our Investigator to gather some more detail from it. Having received and considered that along with all the other evidence on file, I was minded to uphold the complaint. So I issued a provisional decision.

Mr and Mrs L did not reply to my provisional decision. AXA said it had no comment to make.

## 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 said provisionally:

*"This is about AXA's claim settlements for water damage (trace and access is not in dispute). There are two claims. AXA wasn't prepared, and didn't offer, to complete work for either claim. As AXA is aware, if it is not offering to do repairs, it can't reasonably settle based on its cost to do the work. Which is so far what it has sought to do. So, in that respect alone, AXA's settlements for water damage are unfair and unreasonable. I've had to think then about what AXA should have paid, and will now have to pay.*

### Claim one (bathroom ceiling)

Mr and Mrs L's estimate for work was £2,560 plus VAT. AXA said it would pay £1,000, later increased to £1,550 and no excess would be deducted from that (because it would apply the excess to the claimed amount). I had our Investigator ask AXA if it had any issues with any of the work detailed in the estimate, or if it was just a cost issue. AXA confirmed there was no issue with the work, it was just that its price for that work was £1,000 (I assume it has overlooked its later increase when answering that question). AXA then has not offered fair settlement. It should now pay Mr and Mrs L £510 being the difference between their estimate and what AXA paid (£2,560 minus £1,550, £1,010), less the £500 excess. Because I am requiring AXA to pay based on the claimed amount, the excess has to be accounted for.

If Mr and Mrs L show AXA VAT is owing on the work done, it should reimburse their VAT cost up to the VAT amount applicable against the sum of £2,060, which is the estimate sum less the policy excess of £500. That is because AXA's previous payments didn't account for VAT. So VAT on those sums is still owing.

Claim two (bathroom (other than the ceiling) and kitchen ceiling including the fire alarm)

There is floor and wall tiling in the bathroom. Mr and Mrs L's estimate for the bathroom is mainly for replacing all the tiling. But it says that is because it wasn't possible to replace damaged tiles with the same as any remaining undamaged ones. So not all tiling was damaged by the leak. It also details removal and refit of the suite to facilitate the retiling. Which would come with a likely fairly minimal labour cost. But also that the floorboards are being replaced. The total for that work is £10,180, plus VAT, there's no itemised breakdown.

AXA said its settlement for the bathroom, based on its costs for work, included payment for 100% of the cost for damaged tiling and 50% of the cost towards undamaged tiles. That being in line with this service's approach to matching but undamaged items. I had our Investigator ask AXA to break that down for me – what area was it covering at 100% and what at 50%. Its answer was that it had only scoped and priced for the window wall and tiled bath panels. So its settlement for tiling has not been made in line with our approach to matching undamaged items. From that it also seems it hasn't accounted at all for the flooring in the bathroom.

Mr and Mrs L's estimate is not broken down. So I'm going to make a decision based on what I think is fair. There's some minor labour work to remove and refit the bathroom suite. I think that would reasonably total around £500. There's the floorboard replacement. I think that could be quite costly for materials and labour too. I'll allow £3,000 for that. So that leaves £6,680 for all the tiling. As the floorboards need replacing, I think it's fair to say all the floor tiles needed replacing. And accepting that the tiling on the window wall and around the bath was the only area of damage, that means around half of the wall tiles were damaged. I think tiling all the walls would probably be a bit more expensive than the floor – it's a bigger area for one thing. So I'll apply a 70/30 split to the sum £6,680 – giving £4,676 for the wall tiling and £2,004 for the floor tiling. And half of the sum for the wall tiling is £2,338. So the cost for re-tiling the undamaged area of wall tiles is £2,338. AXA, in line with our approach in this respect, is only liable for half of that sum. So, from the estimate sum of £10,180, the sum of £1,169 can fairly be deducted. Which leaves it liable for the sum of £9,011 (excluding VAT).

Regarding the kitchen, Mr and Mrs L's estimated cost is £3,885. It included for replacing the plasterboard and insulation. Also the fire alarm. I had our Investigator ask AXA why it hadn't allowed for costs to replace the plasterboard and insulation. Also if it had considered the fire alarm. AXA said the plasterboard was dry when inspected and sound. It said that as the plasterboard was dry, it follows the insulation was too. It said the fire alarm was factored into its costing.

*So from this I take that AXA does not dispute that the fire alarm needed replacing. And I accept what it says about plasterboard – it has shown photos that show it was dry upon inspection. But I'm not persuaded by the logic that if it was dry, so must the insulation be. It could hold damp within its centre whilst being dry at the edges. It also doesn't account for whether insulation still retains its properties if it has been soaked and then dried. As the bathroom floorboards were being replaced, this could have been better assessed by AXA. But the insulation could also have been removed via the bathroom flooring. So I don't think it would have been necessary to remove any or all of the ceiling plasterboard below to remove it. So I'm going to make a deduction from Mr and Mrs L's estimate for the plasterboard. I'm aware that this type of material can be quite expensive, and fairly labour intensive to fit. I think it's fair, when thinking that all the kitchen ceiling work would cost £3,885, to allow £1,500 of that for the plasterboard. So of the £3,885, AXA is liable for £2,385 (excluding VAT).*

*I've considered also what AXA has already paid on this claim. I've seen the following sums on file paid for 'repairs': £626.45, £325.00 and £1,441.21. They total £2,392.66. In my paragraphs above I've found AXA liable (excluding VAT) for; £9,011 and £2,385, totalling £11,396. Taking what AXA has paid already from that, along with the excess of £500, leaves: £8,503.34. AXA should now pay this sum.*

*If Mr and Mrs L show it VAT is due, it should reimburse their VAT cost up to the VAT amount applicable against £10,895 (£11,396, less the £500 excess). That's because the settlement sums AXA paid previously didn't account for VAT. So VAT on those sums is still owing.*

#### Skips and the like

*Mr and Mrs L's estimate – which detailed the work for both claims – also included a cost of £1,634.75, plus VAT for items like skips and cleaning works. It seems these costs were applied across/for all of the work for the bathroom and kitchen. It wasn't split or broken down by area at all. That doesn't seem unreasonable. AXA hasn't objected to this sum. The excess on both claims has been accounted for. AXA should pay this sum. If Mr and Mrs L show it VAT is due, it should reimburse their VAT cost up to the VAT amount applicable against this sum.*

#### Interest

*To any sum AXA now pays, it will have to apply interest against the sums I've said it owes Mr and Mrs L from the date they paid each until settlement is made. That also applies to any VAT they show was paid by them and is so owing by AXA.*

#### Compensation

*My interest award will resolve the financial element of Mr and Mrs L having been out of pocket for funds. But I think there's been some distress and inconvenience caused to them by all of this too. I can see, for example, from some of the correspondence that AXA's settlements, being small and sometimes unclear in nature, have caused some frustration for Mr and Mrs L. And I note the loss occurred in late 2021. So this has been on-going and unresolved for a long time. I think AXA should pay £500 compensation."*

As AXA has accepted my findings, and Mr and Mrs L have not objected to them, I've no need to add to or change them. As such, my provisional findings are now those of this, my final decision.

#### **Putting things right**

I require AXA to pay Mr and Mrs L:

- £510 for the bathroom ceiling.
- £8,503.34 for work to reinstate the kitchen ceiling and bathroom (except its ceiling).

- £1,634.75 for skips, cleaning etc.
- The VAT sum paid by Mr and Mrs L for work, up to the VAT sum due against the applicable amount AXA was liable for in each claim/area of damage (£2,060, £10,895, £1,634).
- An amount equivalent to interest\* applied at each sum to be paid to Mr and Mrs L (including VAT when they evidence it) from the date they paid their contractor for that work, and/or VAT, until settlement is made.
- £500 compensation.

\*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require AXA to take off tax from this interest. If asked, it must give Mr and Mrs L a certificate showing how much tax it's taken off.

### **My final decision**

I uphold this complaint. I require AXA Insurance UK Plc to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr L to accept or reject my decision before 15 December 2023.

Fiona Robinson  
**Ombudsman**