

The complaint

Mr and Mrs H complain about the way AA Underwriting Insurance Company Limited has handled a subsidence claim on their home insurance policy.

Any reference to AA includes the actions of its agents. Mr and Mrs H are being represented on this complaint. For ease, I've referred to Mr H throughout my decision, but any reference to him, includes the comments of his and Mrs H's representative.

What happened

The circumstances of this complaint are well known to both parties, so I've summarised what's happened.

Mr H has a home insurance policy which is underwritten by AA. In September 2018, he made a claim on the policy for subsidence. AA completed an initial inspection and report in November 2018.

Following investigations - including visits from a drain specialist and arborist in April 2019 – vegetation within influencing distance of the property was identified as the cause of the subsidence. AA contacted the local water authority who needed to authorise the removal of the vegetation, but said it had difficulties getting a response.

In March 2021, Mr H reported additional damage to AA. In response, it suggested he contact his local MP to expedite obtaining the water authority's agreement to removing the vegetation. AA has said the difficulties in obtaining this significantly impacted how the claim could progress between 2018 and 2020.

The implicated tree was removed in December 2021, with the remaining stump being treated in January 2022. Mr H was told to monitor his property for movement for a few months. At the end of the period, he confirmed it hadn't moved.

In May 2022, AA attended Mr H's property to review the damage and scope the repair works. Mr and Mrs H vacated the property in September 2022 and moved into temporary accommodation having been told the repairs would take two to four weeks. But by January 2023, the works hadn't started as pre-existing issues came to light a few months earlier and a structural engineer had needed to be appointed – whose findings had been shared with AA in December 2022.

During this time Mr and Mrs H had been in short term rental accommodation – with AA extending alternative accommodation on a fortnightly basis.

In late January 2023, Mr and Mrs H moved into a longer-term rental for six months. A couple of months later, the contractor ("contractor 1") assigned to complete the repairs was removed from the job, and another contractor ("contractor 2") was appointed. Time was spent removing contractor 1's scaffolding so it could be replaced with contractor 2's.

In June 2023, a specialist subsidence engineer was appointed to advise on an appropriate

method of repair. The following month, AA extended the alternative accommodation for a further three months. In August 2023, contractor 2 was removed from the job, and a third contractor ("contractor 3") was appointed.

Repairs commenced at the end of August 2023, by which time Mr and Mrs H had been out of their property for eleven months.

Unhappy with how the claim had been progressed, Mr H complained to AA. Unhappy with its response, he brought a complaint to this Service. An Investigator explained to both parties that she'd be looking into matters up until the date AA provided its business file to this Service – which was 3 October 2023. AA accepted this.

In its response to this Service, AA offered £750 compensation to acknowledge the contractor had been changed a few times and the difficulties this caused – including Mr H having to wait for amendments to be made to the scope of works. It also accepted Mr H had to make numerous visits to the property – and that this would have been inconvenient for him.

It said it was awaiting the final scope of works and that as alternative accommodation would be required for a further six to eight weeks, it had raised a cash settlement to cover Mr H's accommodation until 20 November 2023.

Our Investigator looked into things but wasn't satisfied £750 compensation reflected the difficulties Mr H had experienced. She said AA had waited an unreasonable amount of time for a response from the water authority – saying it could have considered other methods of stabilisation during this time. She said that following a short stay with family, Mr and Mrs H moved into short-term accommodation, but were caused further stress due to having to chase AA each time the accommodation was due to expire.

Overall, she wasn't satisfied AA had proactively managed the claim, and the change in contractors caused avoidable delays. In light of this, and the stress Mr and Mrs H had felt - but in particular Mrs H - she said AA needed to pay an additional £1,000 compensation.

Mr H accepted the Investigator's view but stressed how the AA's lack of communication had caused mental anguish.

In response, AA said it didn't consider the compensation to be fair. It said the pandemic had impacted how the claim could progress, and said the avoidable delays amounted to approximately five months. It said it didn't consider other stabilising methods as this would have impacted the price of Mr H's premiums even more so. But it said, it would agree to an additional £250 compensation.

The Investigator considered AA's comments, but it didn't change her view. Because AA disagreed, the complaint has been passed to me for an Ombudsman's 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.

I've also kept in mind AA's responsibilities as an insurer - which are set out in the Insurance Conduct of Business Sourcebook (ICOBS) – to handle claims promptly and fairly. Having done so, I agree with the outcome our Investigator reached and I'm upholding this complaint – I'll explain why.

But before I do, I should explain that I'm only considering events up until the date AA

provided this Service with its business response to the complaint – which was 3 October 2023. I understand the claim is ongoing, with Mr H saying he's experienced further problems with how it has been handled. I can't, however, consider these issues within this decision. They will need to be dealt with under a new, separate complaint.

Mr H has provided a wealth of information, and detailed numerous issues. My decision, however, focuses on what I consider to be the key issues here, and so, won't mirror the same level of detail. This isn't meant as a discourtesy but rather reflects the informal nature of this Service.

Delays

AA must handle claims promptly. What's prompt will depend on the nature of the claim and the extent of the damage. It's not uncommon with subsidence claims for things to take months, and sometimes, years – but this is very dependent on the particular circumstances of the claim. Here, once the implicated vegetation was removed in December 2021 – and the period for the ground to settle had elapsed (which was a few months), the repairs were estimated to take two to six weeks. But at the time of AA's response, it had been over a year since the repairs were due to commence.

For ease, I've considered how the claim progressed prior to the removal of the vegetation and then after it.

Before the vegetation was removed

The claim initially progressed as I'd expect it to, with investigations happening within a reasonable period of time. AA has said monitoring commenced in April 2019, following the arborists report, and ended in April 2020. It has accepted that requiring the local water authority's agreement to remove the vegetation significantly slowed things down between 2018 and 2020 – but it doesn't consider itself at fault for this.

I appreciate AA has said monitoring took place for 12 months which accounts for some of the length of the claim – which is a reasonable explanation. But our Investigator thought AA could have considered other stabilising options earlier – given it ended up waiting approximately two years for the water authority's agreement to remove the implicated vegetation.

I've seen that in May 2020, AA wrote to Mr H to say it was still awaiting a response from the water company. It said the next step would be to consider alternative remedies, but that this would involve higher costs – though it said it would offset this against the water company. It hoped the threat of higher costs would encourage the water company to fell the implicated vegetation.

I appreciate AA has to be responsible and make commercially sensible decisions, but here, it seems the water authority's reluctance to engage, was accepted as a justifiable delay on AA's part. In May 2020, AA appears to recognise things were taken longer than it should, but it's not until a year later, does it suggest to Mr H he contact his local MP to expedite things – which whilst seemed to have the desired effect, appeared to delegate responsibility for moving things forward to Mr H, which wasn't fair.

AA has said it's arguable other stabilising options could have been considered in 2021 – but that this would impact Mr H's premiums. But I don't consider this to be sufficient reason for not proceeding with an alternative stabilising method. Whilst I appreciate felling the vegetation was the most ideal solution, given the time that had passed, and concerns about the damage worsening, I'm satisfied AA should have taken action in respect of alternative

repair methods at an earlier stage. Or at the very least invited a conversation with Mr H for him to be part of the decision on how to proceed taking into account the potential financial consequences it says are relevant.

AA has said the pandemic impacted how the claim could progress and that it didn't know how the water authority's loss adjuster had been affected as a result. Whilst it's reasonable to attribute some delays to the pandemic in the early months, given trades person could continue to work (subject to social distancing guidelines), I'm not persuaded the claim was affected by the pandemic to the extent AA says it was. In any event, if the water authority's loss adjuster wasn't engaging over a period of more than six months, that would be good reason to consider other stabilising methods.

After the vegetation had been removed

I accept AA isn't responsible for all the delays which occurred during this time – for example, the discovery of pre-existing damage and the need to test for asbestos. But it's not in dispute that changing contractor three times – something AA is responsible for – did cause avoidable delays whilst new start dates were agreed, and the scope of works was amended. Furthermore, it required Mr H to attend the property for additional meetings with AA and its contractors – which as AA has accepted, caused Mr H avoidable inconvenience.

And understandably, when these delays occurred whilst Mr H wasn't living in his property - and having to find homes for his pets (who couldn't stay in the alternative accommodation) - they were felt more greatly by him and Mrs H.

Communication

Whilst I don't consider it necessary to detail every occasion where AA's communication fell short, it's apparent from the conversations between Mr H and AA – on the customer portal – that this happened a number of times. But, for context, I've seen AA unnecessarily chase Mr H for an excess payment he'd already paid but fail to communicate with him in respect of alternative accommodation – which resulted in him having to chase the matter up a lot.

Understandably, being in short term accommodation, without a reliable plan for when the works would be completed was stressful for Mr H – and so, communication about where he and Mrs H would be staying and for how long, was of paramount importance. But I've seen evidence of Mr H not knowing if alternative accommodation was going to be extended a mere matter of days before the current rental was due to expire – and he's said this was very stressful for him – which I understand. I've also kept in mind that Mr H says he had to pay for accommodation out of his own pocket on occasion because AA hadn't authorised the costs in time – and he says this caused him financial strain. AA hasn't disputed this.

So, I'm satisfied AA's communication has fallen short, and the compensation must reflect the difficulties this caused Mr and Mrs H.

Alternative Accommodation

With regards to alternative accommodation - in its response to this Service, AA said it would cover this until 20 November 2023. I appreciate things will have moved on since then, but I can only consider events until 3 October 2023. At the time of AA's response, it anticipated the works taking six to eight weeks, and so, I'm satisfied its decision to pay alternative accommodation for this period was fair and reasonable.

However, as I've explained above, I don't consider its communication and handling in respect of organising and paying for alternative accommodation to have been satisfactory,

and so, I've factored this in when deciding the appropriate amount of compensation.

Utility bills

Mr H has said he's had to pay ongoing costs at the insured address – it's not entirely clear what his particular concern is in relation to this, but I can see from correspondence between him and AA he's raised the matter of increased utility bills whilst the repair works are carried out at his property.

I haven't been provided with specific evidence which shows Mr H's bills have increased, so I'm not going to determine this matter. But I note AA has previously said it would review these costs when settling the claim. And that's what I'd expect it to do. If, after doing so, Mr H has concerns about this, he can raise this as a new complaint issue.

Summary

Subsidence claims are often lengthy and involved – and even if everything goes to plan, there is likely to be some unavoidable inconvenience and distress. So, I wouldn't expect AA to pay compensation for issues which were outside of its control, or which are part and parcel of a claim such as this.

But here, I'm satisfied there *were* avoidable delays, and that AA caused avoidable distress owing to poor communication and claims handling on its part. Given Mr H had been dealing with the claim since 2018, problems arising in the latter years of the claim are arguably going to be felt more greatly by him and Mrs H than those at the outset. And I understand why, given the change in contractors, the delays to repairs, and the mismanagement of their alternative accommodation, that they have felt exasperated and stressed by AA's handling of this claim.

When I consider this along with the fact Mr and Mrs H have been living in alternative accommodation since September 2022 and importantly, for longer than they needed to have, I'm persuaded there's been severe disruption to Mr and Mrs H daily life and I'm therefore, satisfied £1,750 compensation is fair and reasonable in these particular circumstances.

My final decision

My final decision is I uphold this complaint and direct AA Underwriting Insurance Company Limited to pay Mr and Mrs H £1,750 compensation. If it has already paid £750, it can deduct this amount from the total.

AA must pay the compensation within 28 days of the date on which we tell it Mr and Mrs H accept my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 28 March 2024.

Nicola Beakhust
Ombudsman