

The complaint

1, a limited company, complains about the way AXA Insurance UK Plc handled a claim it made on its home insurance policy following an escape of water.

1 is being represented in bringing this complaint by one of its directors, Mr A. For ease, I've referred to Mr A in my decision. A.

Any reference to AXA includes its appointed agents, unless set out otherwise.

What happened

In spring 2023, Mr A made a claim on his home insurance policy. A pipe had burst causing substantial damage to his property.

AXA accepted the claim, but Mr A wasn't happy with the progress of things. AXA responded to two complaints by August 2023. The first complaint - responded to in June 2023 - related to Mr A being given wrong information about whether he was entitled to alternative accommodation (AA). AXA accepted it had made a mistake and offered £200 compensation for telling Mr A he didn't have AA cover.

In its second complaint response - sent in August 2023 - AXA apologised for the way it had handled some enquiries, it offered a further £175 compensation for this. It noted that there was still a disagreement about AA costs and as a resolution said its contractor would be in touch urgently to respond to points Mr A made about AA.

Unhappy with AXA's response, Mr A brought the complaint to this service. He said AXA was trying to frustrate the claim and not settle what is owed. As a resolution he wanted AXA to make a final cash settlement offer for the estimated seven to eight months AA would be needed.

Our investigator noted this was an ongoing claim and said she could only consider complaint points that AXA had had an opportunity to respond to, so she wouldn't look at any other concerns raised by Mr A after the date of its second final response letter in August 2023.

She said having reviewed AXA's response to the claim so far, she didn't think it needed to do anything differently. She accepted AXA had initially made a mistake in declining the AA but was satisfied this was put right within a couple of weeks. She also agreed AXA should have handled his queries better. Overall she thought the £375 total compensation offered was fair to recognise the impact of those errors. And whilst AA costs were still being disputed, from what she'd seen she didn't think AXA had made an unreasonable offer for AA costs.

Mr A asked for an ombudsman to review the complaint. He raised a number of points but in summary said it took too long for the repair settlement to be paid. The data relied on by AXA for the AA payment wasn't reasonable and he had planned to rent out his flat in May 2023. So, Mr A felt a loss of rental income should be paid given the delay caused by AXA. He said his policy covered both AA and loss of rental income depending on the circumstances of the property. He asked for a without prejudice payment to be made in respect of the AA as matters still hadn't been finalised. He also wanted two months of alternative accommodation, and then loss of rental income until the repair works were complete.

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 this is an informal service, I haven't responded to every point Mr A and AXA have made. Instead, I've focussed on the key reasons for reaching the outcome I have. But I want to reassure both parties I've read and considered everything that's been provided.

Like our investigator, I'm limited in what I can review as part of this complaint. AXA provided its second final response letter in August 2023 – and so I can only consider events up until this time. Mr A has said there's been further issues, but it isn't the role of this service to get involved in the ongoing handling of claims. We can review a complaint once AXA has had an opportunity to respond to it - if Mr A asks us to. I haven't been provided with any other complaint responses since August 2023 which he's brought to this service.

There are two main issues to address – these are delays in settling the claim, and issues with AA. I've started by considering AXA's handling of the claim from when it was raised, until the claim repairs were agreed in August and AXA's second final response was issued.

AXA accepts there were delays, so I'm not going to list everything that happened as it is well known to both parties. AXA initially incorrectly told Mr A he wouldn't be entitled to AA cover, and it didn't respond to some of his emails about repair estimates and AA as quickly as it should have done. And these did cause some unnecessary delays to the claim.

Mr A feels that AXA deliberately misrepresented the policy. From reviewing the file, I don't believe that to be the case. It said it was reading an older version of the policy wording, without some accompanying endorsements. It's admitted this was an error. That seems a reasonable explanation to me, and one it corrected a couple of weeks later. So, I consider the impact of this mistake to be limited to a short period of time.

Having reviewed the claim timeline, I don't consider AXA's failings above to have caused significant delays to the claim. AXA attended the property in mid-May, and Mr A submitted a quote for reinstatement around the same time. Given the quote was in excess of £30,000, AXA wanted to instruct a surveyor to review the costs. I don't consider this to be unreasonable. Mr A was asking for a cash settlement to have the works done himself, so it's fair and prudent for AXA to want to validate these costs. Mr A didn't want AXA's surveyor to attend the property to review the costs as he felt it wasn't impartial. So, AXA did a desk review so as not to delay matters further. I consider that was a reasonable way forward.

In mid-July, AXA said it would agree to Mr A's quote. And it said it could issue an interim payment in advance of the works starting, as Mr A said the contractor could start at the end of August.

So, in total it took around two months from AXA's initial review to agreeing the claim amount. This was delayed slightly by its incorrect information concerning AA and some delays in responding to Mr A. But I don't agree AXA was trying to frustrate the claim process. I consider it was entitled to validate costs and overall, it delayed the claim by a few weeks. AXA has offered a total of £375 for the delays it caused and its poor communication, and I think that is reasonable in the circumstances. I don't doubt this has been a stressful time for Mr A but having damage to your home will always cause a degree of inconvenience. I can only make awards for the impact of AXA's errors which exacerbate this.

Turning to the issue of AA, when Mr A reported the claim, he said he was staying with relatives, but would need AA as now both of his bathrooms had been affected. One bathroom was already not in use as it was being renovated due to a different claim which had been reported in 2022. Unfortunately, the damaged claimed for in 2023 was to his other bathroom. This meant he'd have no use of a bathroom facility or a master bedroom. As AXA were cash settling the repairs, it also agreed to cash settle the AA claim. It made an offer of £18,000 for four months of AA costs in a comparative property. This was based on Mr A's contractor's estimate of around 16 weeks of repairs. Mr A felt the costs would be significantly higher for the same period.

At the point the complaint was brought to this service, AXA said it was reviewing its offer on AA in light of Mr A's comments. So it's not appropriate for me to set out what AXA should pay for AA as part of this decision. If I were to make a finding on how much the settlement should be in respect of AA, it would mean Mr A couldn't bring a complaint about that issue to this Service again. And it's now been a number of months since AXA agreed to review, so it's likely the position has now changed. But I do think agreeing to review its offer was a reasonable response to Mr A's complaint and so, whilst it will have prolonged things, I consider it a proportionate response in the circumstances.

Mr A's view is that AXA deliberately stalled the agreement of AA so it could pay for less time. He's asked for an interim payment to be made to him. He also wants a payment for the entire period he's been out of the property, including the time spent with relatives. AXA said it wouldn't do this, but it would consider Mr A's reasonable costs of being with relatives or consider a disturbance allowance for that time. As far as I can see up to August 2023, Mr A hasn't provided AXA with any costs incurred, so it hasn't been able to issue any payment to him. And I don't think, as of August 2023, that was an unreasonable stance for AXA to take. By the start August the repairs hadn't started, and he was living with relatives, so Mr A hadn't incurred any AA costs. So, I don't consider it reasonable for AXA to pay Mr A what it would have paid for his AA during this time. But it should have considered reasonable expenses for Mr A being out of his home. I've seen it offered to do that, so its offer was reasonable at that point.

AXA had agreed in June 2023, in principle, to pay AA costs for the four months Mr A's contractor said it would take for the repairs to be completed. Even though it's likely the property would have been habitable before that time. And it agreed to speak to Mr A about the settlement amount to resolve the complaint. So as part of this decision I'm not going to give AXA a direction on this. After the complaint was referred for a final decision, Mr A has said AXA is now refusing any AA payment. I can't look at that as part of this complaint. Mr A would need to raise a complaint about this issue with AXA before referring it as a new complaint to this Service.

Similarly, I can't make a finding on any loss of rent payment Mr A says he's incurred. He's asked this Service to now consider two months of AA and then a loss of rent payment until the property can be rented out. But because I can't see this formed part of his complaint which was responded to by AXA in August 2023, I don't know what AXA's stance is in relation to this and so, I can't consider it here.

My final decision

My final decision is that I'm not going to ask AXA UK Insurance Plc to do anything differently.

Under the rules of the Financial Ombudsman Service, I'm required to ask 1 to accept or reject my decision before 18 March 2024.

Michelle Henderson
Ombudsman