

## **The complaint**

S, a limited company, complain that Aviva Insurance Limited overestimated the value of a claim under their Property Owners insurance policy, resulting in a significant increase to the price of the policy.

## **What happened**

The detailed background to this complaint is well known to both parties, so I'll only summarise the key events here.

In August 2021, S made a claim for water ingress to one of its properties which it valued at £16,000.

Aviva instructed its loss adjusters to investigate the claim and interview S. It applied a reserve of £160,000 against the likely costs involved.

S complain that Aviva inflated the value of the claim based on comments made by their tenants. They say they were in a dispute over rent, and it was in the tenants' interest to exaggerate the damage and imply the property was unusable.

As a result of this, S say they were subjected to an investigation and are tarnished by fraud allegations. And they were charged a higher premium at renewal in 2022 as a result of the open claim with a high reserve.

Aviva subsequently settled the claim for £16,000. And the policy premiums were recalculated with the difference refunded back to S.

In response to S' complaint, Aviva said the investigations were necessary to validate the claim and it didn't make any suggestions of fraud. It acknowledged there was a delay in responding to the complaint, and it offered £350 compensation.

S remained unhappy so they brought the complaint to our service. But our Investigator didn't uphold it. He was satisfied Aviva had acted in line with the policy terms by investigating the claim and it wasn't reasonable to expect it to ignore comments made by the tenants. He was satisfied Aviva had taken steps to recalculate the policy premiums and he didn't think it needed to do anything more.

S didn't agree. They say they only ever claimed for £16,000 worth of damage and has no idea why Aviva thought it correct to reserve a figure that was never going to be claimed. And whilst the premiums have been recalculated for this property's policy, the premiums for other properties owned by S also increased in 2022 which they believe is as a result of this claim. And these increases haven't been refunded.

Our Investigator checked with Aviva who confirmed no other policy premium was impacted by this claim. S say their broker is of the opinion, based on his experience of the market at the time, that the high reserve was the single major factor that prompted the increases. But our Investigator wasn't persuaded by this.

As S didn't agree with our Investigator, the complaint has been passed to me to decide.

### **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.

To be able to uphold S' complaint, I need to be satisfied Aviva did something wrong or unfair. And I'm not persuaded it did. So I won't be upholding this complaint. I'll explain why.

Aviva are entitled to investigate a claim before paying it, as it needs to ensure the circumstances of the loss arose from an insured peril and aren't excluded. S say Aviva was provided with information from their tenant which was exaggerated, but I can't fairly say Aviva should've ignored the information altogether. It was reasonable for it to look into things to satisfy itself of the extent of the damage.

I appreciate S were interviewed by Aviva's loss adjustor as part of these investigations and they felt they were being accused of fraud. But I can't see that these allegations were made, and I haven't been provided with any evidence of how they've been tarnished as a result. It's common for an insurer to conduct an interview as part of a claim investigation, especially when it's a high value claim.

In this case, it wasn't a high value claim. But Aviva had reserved a high amount due to concerns over the extent of the damage. S say they only claimed for £16,000, so Aviva should've only reserved that amount. But that isn't how insurance policies work. Even if S only wanted to be paid £16,000, Aviva still needed to determine what the extent of the damage was and the full costs to repair it, to ensure the claim met all terms and conditions of the policy. If Aviva later discovered the damage was more extensive and it was covered by the policy, I'm sure S would've been willing to accept a higher settlement.

I agree the reserve was higher than needed and I haven't seen anything to suggest £160,000 was necessarily justified. But I'm aware this is a large commercial premises and so it's not unreasonable to think costs may be in this region if the damage was to the extent the tenants were alleging.

Ultimately, when the claim was settled for the £16,000 claimed for, Aviva needed to rectify any impact the high reserve had on S. The impact was an increased renewal premium, which Aviva recalculated, and the difference was refunded. So I'm satisfied S was put back in the position they would've been in had a high reserve not been applied.

I've thought about S' comments that their other policy premiums have been affected. I can see that they only held one policy with Aviva, but it covers eight different risk addresses. S has provided us with a breakdown of the premiums for each address at the 2021 renewal (before this claim) and the 2022 renewal (after this claim).

Disregarding the premium for the property this claim relates to, I can see that six out of the seven premiums increased by around £700 to £3,000 in 2022. I've asked Aviva to clarify why the premiums increased. And it explained that some premiums increased as a result of the property's change in occupation, some had become unoccupied, and there were other claims made.

From the information I've seen, I'm satisfied there were other factors impacting the premiums for the other properties. And I'm not persuaded they increased as a result of this

claim. Had that been the case, I think all seven property's premiums would've been impacted and for a similar amount.

Aviva has already made an offer to pay £350 compensation to acknowledge the delays in responding to S' complaint. S should contact Aviva directly if they now wish to accept this offer.

### **My final decision**

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 8 July 2024.

Sheryl Sibley  
**Ombudsman**