

The complaint

Mr G has complained about the amount AXA Insurance UK Plc has offered to settle a claim he made on his buildings insurance policy.

Reference to AXA includes its agents and representatives.

What happened

As the circumstances of this complaint aren't in dispute, I'll summarise what's happened.

- In June 2023, Mr G got in touch with AXA about water damage to the kitchen in his rental property. AXA initially declined the claim because it said the damage wasn't attributable to a single insured event.
- Mr G took professional advice from a company I'll call U, which said the damage had been caused by a leaking underground pipe. U removed the kitchen, located and replaced the leaking pipe, and restored the kitchen. Mr G spent around £12,000 on this work. He got back in touch with AXA, who accepted the claim.
- AXA offered around £3,500 to settle the claim. After Mr G provided his invoices, AXA increased its offer to nearly £7,000. As that left Mr G with a significant shortfall, he didn't think it was fair and complained. AXA maintained its position. It said Mr G had prejudiced its position by carrying out the work without its permission.
- Our investigator didn't think AXA had acted fairly. Noting AXA had initially incorrectly declined the claim, the property was tenanted and without the use of kitchen facilities, she thought it was reasonable for Mr G to carry out the repairs promptly. And she didn't think AXA had provided sufficient evidence to show why any of Mr G's costs weren't covered – aside from the repair of the leak itself.
- To put things right, our investigator asked AXA to pay Mr G's costs, less the pipe repair, and plus interest. She also asked it to pay the cost of U's report and £200 compensation for the inconvenience caused to Mr G during the claim.
- Mr G agreed with our investigator. AXA asked for more time to respond, which our investigator agreed to, but the deadline expired without it contacting us again.

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.

- AXA has accepted the kitchen damage was caused by an escape of water, and that's covered by the policy, subject to an excess. The policy also covers the cost of locating the source of the leak and repairing any damage caused by doing this – known as 'trace and access' cover.

- AXA valued the cost of kitchen work at nearly £7,000, plus VAT, based on its own contractor rates. AXA says this amount is reasonable because that's how much it would have cost AXA to do the work – and Mr G prejudiced its position by having the work done before returning to it.
- When AXA declined the claim, it left Mr G to resolve the problem. He did so and then returned to AXA to ask for his costs to be met. I don't think this was an unreasonable or unusual way for him to approach the situation – he simply took steps to put the problem right, with professional advice, after AXA said it wouldn't cover his claim.
- However, it seems AXA expected Mr G to establish the cause of damage and, before carrying out any further work, return to AXA to consider his claim again. I haven't seen that AXA explained this expectation to Mr G when it declined the claim.
- And in the particular circumstances of this case, I'm not persuaded it would have been reasonable to maintain such an expectation anyway. U has explained that to establish the cause of damage, the water supply needed to be switched off and the kitchen removed, because the pipe was under the kitchen floor. I can understand why Mr G wouldn't want to risk leaving his property in that condition indefinitely, and would want to reinstate the water supply and kitchen so he could rent it out again.
- In summary, AXA unfairly declined the claim initially, it didn't set out how Mr G should approach things, the circumstances required a prompt repair, and I'm satisfied he acted reasonably to put the problem right. In these circumstances, I'm not satisfied he prejudiced AXA's position.
- In any case, AXA's policy says it has the right to settle the claim by paying money, or reinstating or repairing property. But it doesn't set out a right to limit the amount of money it pays to the amount it would have spent on reinstatement or repair. So it doesn't have a contractual right to limit the claim cost in the way it has.
- I note AXA didn't offer to pay VAT – even though the invoices showed Mr G paid VAT on the work. Nor did AXA offer any trace and access costs, even though this was clearly required and explained in U's report – and is covered by the policy.
- As a result, I'm satisfied it would be fair for AXA to pay the cost to Mr G of the work covered by the policy, including VAT and less the excess. That's the work required to put right the water damage and/or to trace and access the leaking pipe.
- AXA has indicated that it thinks some of the work carried out by Mr G wasn't covered by the policy. Our investigator invited AXA to explain what work that was and why it wasn't covered. AXA didn't respond on this point. So it hasn't provided persuasive evidence that any of the work Mr G had carried out wasn't covered by the policy – apart from the pipe replacement, which Mr G has accepted isn't covered.
- Overall, I'm satisfied AXA should pay Mr G's repair costs, less the policy excess and pipe replacement cost. Based on the invoices he provided, and the £500 policy excess, that means a payment of £11,029. And because Mr G has unfairly been without the money for a significant period of time, AXA should also add interest.
- AXA accepted the claim based on U's report. So I think it's fair that AXA pays Mr G for the cost of that report, which is £540. Again, as he's been without this money for a significant period of time, AXA should add interest to this payment.

- I'm going to set a date of 1 October 2023 for interest to be calculated from, as a pragmatic and straightforward way to resolve this point.
- It's clear AXA didn't handle this claim as well as it should have done. It initially declined it based on little investigation and left Mr G to resolve the problem himself. When he did, it didn't settle his claim promptly or fairly. I'm satisfied that caused him unnecessary inconvenience and a compensation payment of £200 is reasonable in the circumstances.

My final decision

I uphold this complaint.

I require AXA Insurance UK Plc to:

- Pay £11,569 to settle the claim.
- To that payment, add interest at 8% simple per year, from 1 October 2023 to the date of settlement*.
- Pay £200 compensation.

*If AXA considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 March 2024.

James Neville
Ombudsman