

The complaint

Mrs J is unhappy with the way AA Underwriting Insurance Company Limited ('AA') handled a claim made on her contents insurance policy ('the policy') after a fire at her home. That includes only paying part of the costs claimed for certain items.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. I issued my provisional decision in March 2024 explaining why I intended to partially uphold this complaint and direct AA to do more to put things right than was recommended by our investigator. An extract of my provisional decision is set out below.

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AA has a regulatory obligation to handle insurance claims fairly and promptly. And it mustn't unreasonably decline a claim.

AA has accepted claims made for contents by Mrs J. So, I'm satisfied that they're covered, in principle, under the terms of the policy.

The policy terms say that if AA can't replace or repair the damage to contents being claimed for with preferred suppliers, it will cover the full replacement costs without a discount being applied.

I'm satisfied that AA has concluded that the contents can't be repaired. And it's paid the majority of the claims made for contents.

However, I'm also persuaded there are aspects of the claim where it has unfairly declined to cover the full costs of certain contents being claimed for and it has underpaid Mrs J for the contents claim. So, I partially uphold this complaint. I'll explain why.

Underpayment for claimed items

AA declined to pay, in full, the costs claimed under the policy for the following items:

- Stationary costs – Mrs J claimed £998, and AA has offered £360 (an underpayment of £638).
- Cutlery and crockery – Mrs J claimed £651, and AA has offered £400 (an underpayment of £251).
- Pots and pans – Mrs J claimed £706, and AA has offered £300 (an underpayment of £406)
- Miscellaneous kitchen items – Mrs J claimed £901, and AA has offered £400 (an underpayment of £501).
- Footwear for the entire family – Mrs J claimed £3,825, and AA has offered £2,000 (an underpayment of £1,825).
- Softs furnishings for Mrs J's daughter – Mrs J claimed £282, and AA has offered £150 (an underpayment of £132).

- Bedding and towels – Mrs J claimed £2,054, and AA has offered £710 (an underpayment £1,344).

I'm satisfied that Mrs J has provided itemised evidence in support of the amounts she claimed above.

AA hasn't been able to provide any evidence supporting that the amounts are overstated. I therefore think it's fair and reasonable for AA to pay the difference between the amounts claimed by Mrs J and the amounts it's so far offered, as set out above.

- Beds and mattresses – Mrs J has provided itemised evidence of four beds and mattresses costing £4,350 to replace.

Although there is a dispute between the parties as to whether Mrs J had a super king bed with two mattresses, it appears from what AA has provided that the sale price Mrs J has evidence for the super king size bed and two mattresses is less than the sale price of the king size bed she previously provided it with. However, I don't think it would be fair and reasonable for AA to be responsible for the full price of the beds when some can be found at a discounted price online.

So, I'm satisfied that AA should pay £3,640.89 for this element of the claim. It's offered £3,443 to date. So, I think there's an underpayment of £197.89.

AA has also declined to pay, in full, the costs claimed under the policy for:

- Books – Mrs J claimed £2,970 for 250 books. AA has accounted for £800 although has more recently said it would pay a further £400 (so £1,200 in total). Having looked at the books being claimed, I agree that some of these have a retail value of more than the average price per book AA has offered and some, significantly more as they're not in the English language or adult study books. However, some of the books being claimed are less than this or form part of book series and I'm satisfied are less expensive when bought as part of a set. Overall, I think it's fair and reasonable for AA to pay an average of £8 per book, totalling £2,000. So, I'm satisfied AA should pay Mrs J a further £1,200 for the damaged books.
- Games consoles – AA has offered £632.99 and as I haven't been provided with any evidence to suggest that this was unfair, I'm satisfied that the settlement of the games consoles was fair and reasonable.
- Curtains and blinds – AA has offered £300 for curtains and blinds in the three bedrooms. I haven't been provided with any evidence to suggest that this was unfair overall. I'm satisfied that the settlement of these items was fair and reasonable.

Overpayment for claimed items

I'm satisfied that AA paid £2,445 to Mrs J for the contents to be removed from the home and disposed of. Mrs J's husband ended up doing this himself. Mrs J hasn't been able to provide evidence of the amount she paid for a skip but, based on my research, I'm satisfied £500 is a reasonable average estimation with associated costs.

So, I'm satisfied AA has overpaid £1,945 to Mrs J in this respect and it would be fair and reasonable for this amount to be deducted from the outstanding amounts owed to her for the claims made under the policy.

Based on the amounts Mrs J claimed for other damaged contents, I'm also satisfied from what I've seen that AA overpaid Mrs J £32 for the claim for the porch wardrobe. That's because the screenshot provided by Mrs J in support of her claim for this item was less than the amount paid by AA. And so this amount should also be deducted from the outstanding amounts AA owes to Mrs J for the contents claim made under the policy.

Summary: total underpayment

I'm satisfied that Mrs J has been underpaid £6,494.89 And has received an overpayment of £1,977.

So, I'm satisfied that AA should pay Mrs J an additional £4,517.89 for the contents claimed under the policy (not including the claim to replace the carpet which I've addressed below).

Outstanding claims

Mrs J has claimed around £1,410 to fit and lay replacement eight square meters of underlay and carpet. AA hasn't agreed to this. It hasn't provided any evidence to contradict the cost claimed but has said that if Mrs J provides it with a second quote, it would consider the claim further.

Mrs J has said that AA ought to get a second quote. However, I don't think it's unusual for insurers to request two quotes for items like this. In the circumstances of this case and given that the price of carpets, underlay and installation can vary significantly between suppliers, I don't think AA has acted unreasonably by requesting a second quote to consider the claim further.

However, Mrs J did request AA provide an alternative estimate for the carpet and installation on 7 March 2023. AA replied the following day to say that it would appoint its carpet specialist who may need to attend Mrs J's home. I've seen nothing to say that this did happen and if AA had followed up, I've currently got no reason to doubt that Mrs J wouldn't have agreed to this. And I'm satisfied that this issue is likely to have been promptly resolved with the parties coming to an agreement on the value of the carpet claim.

So, I'm satisfied that AA has put Mrs J to unnecessary distress and inconvenience by not having the carpet issue resolved by now.

Distress and inconvenience

I'm satisfied that Mrs J has been put to unnecessary distress and inconvenience by AA at a difficult time when she (and her family) was in a vulnerable situation.

- She's had to spend more time than she reasonably ought to contesting the full value of certain claims not being made and chasing AA for responses to some of her queries about supporting the costs claimed.
- She's not yet had the claim for the carpet resolved a year after AA said it would appoint its carpet specialist.

I'm satisfied that £400 fairly and reasonably reflects the impact on her in respect of the service failings she experienced by AA handling her contents claim.

When making this finding, I've taken into account that another Ombudsman has already directed AA to pay further compensation in the sum of £1,000 for the distress and inconvenience experienced by Mrs J in respect of the way in which it handled her claim

under her buildings insurance, also underwritten by AA. I think some of the impact would've overlapped with the way the claim for damaged contents was dealt with and I think an additional £400 compensation to recognise the additional impact of the way in which this claim was handled is fair and reasonable.

I've also taken into account what Mrs J says about feeling stressed and depressed during this time, having to spend a lot of time establishing and supporting her contents claim whilst also parenting three children. I have a lot of empathy for her situation. This was a very difficult time for her which I accept would've been unnecessarily exacerbated by AA's service failings I've identified above. However, it is for Mrs J to establish her losses when making a claim and given the extent of the damage and the contents being claimed for, this was always likely to be a time-consuming task. Further, it's not uncommon in cases like this for there to be an element of negotiation and disagreement about the cost of items being claimed particularly where there is a lack of documentary evidence to support the amounts claimed for reasons outside the control of the parties. So, Mrs J is likely to have been inconvenienced somewhat when making her claim.

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I invited both parties to provide any further information in response to my provisional decision. No-one replied.

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 neither party provided any new information in response to my provisional decision, I'm satisfied that there's no compelling reason for me to depart from my provisional findings.

So, for reasons set out in my provisional decision (an extract of which is set out above and forms part of this final decision), I partially uphold Mrs J's complaint.

Putting things right

I direct AA to:

- A. pay Mrs J a further sum of 4,517.89 in settlement of her outstanding contents claim.
- B. Pay Mrs J simple interest at 8% per year on the amount set out in A. above, calculated from the date on which the reduced settlement offer was made to the date the amount in A. is settled*.
- C. to reconsider the carpet claim once Mrs J provides a second quote for the carpet and installation costs. AA should then promptly offer a fair and reasonable settlement for this element of the claim based on the two quotes provided by her. I also think it would be fair and reasonable for AA to pay simple interest at a rate of 8% per year on the amount it settles this element of the claim for*. I think interest should be paid from one month after AA said it would appoint its carpet specialists (as I think it's likely that this element of the claim would've been resolved by then if the carpet specialists had been appointed) to the date the claim for the carpet is settled.
- D. pay Mrs J £400 compensation for distress and inconvenience.

* If AA considers it's required by HM Revenue & Customs to take off income tax from any

interest paid, it should tell Mrs J how much it's taken off. It should also give her a certificate showing this if she asks for one. That way she can reclaim the tax from HM Revenue & Customs, if appropriate.

My final decision

I uphold this complaint to the extent set out above and direct AA Underwriting Insurance Company Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 7 May 2024.

David Curtis-Johnson
Ombudsman