

## The complaint

Ms S complains about AXA Insurance Company Limited (AXA) cancelling her home insurance policy because of the value of renovations at her property.

AXA uses agents to administer and provide services under the policy, as well as to deal with claims and complaints. Reference to AXA in this decision includes those agents.

## What happened

In April 2023 Ms S phoned AXA to tell them she was planning major renovations to her property, likely to start in May 2023. She wanted to know what AXA might require from her and any implications for her home insurance policy. She said AXA told her they needed the name of the contractor carrying out the renovation work and whether they had appropriate insurance to cover the work, as well as whether Ms S was entering into a recognised form of contract with the contractor and the value of the work.

Ms S called back a few days later with the information requested, including the form of contract ('JCT Minor Works Building Contract') and an estimated value of the works (some £560,000). Ms S also said she would be moving out of the property while the work was carried out.

The renovation work began in May 2023 but on 5 June 2023 Ms S received a letter from AXA telling her they were cancelling her policy, giving 14 days' notice of the cancellation, to take effect on 19 June 2023. The letter didn't give a specific reason for the cancellation, other than Ms S hadn't placed the policy on the correct footing, having had several opportunities to do so. Ms S contacted AXA the same day and was told she needed to provide a signed copy of the JCT Minor Works contract to avoid the policy being cancelled. Ms S said she could provide a signed copy within a couple of weeks and thought that would be acceptable to AXA.

At the same time, Ms S cancelled the contents part of her policy as her contents were going into storage and AXA had previously said they viewed this as 'outside the home' and cover would only be provided for 30 days. At the time Ms S contacted AXA, the contents had been in storage for approaching the 30 day limit. On cancellation, AXA refunded £900 in premium.

However, Ms S wasn't able to get the contract for the work signed within the two week period, and on 20 June she received a letter from AXA saying her policy had been cancelled. She contacted AXA the same day and said was told if she provided a signed contract within 14 days her policy would be reinstated (as of 19 June). She got the contract signed and provided it to AXA a couple of days later. The contract value was £557,868 (excluding VAT). AXA said they would pass the contract to their underwriters to review.

AXA treated Ms S's contact with them as a compliant, which they upheld. In their first final response of 23 June, they referred to the exchanges with Ms S from the time she first notified them of the renovation works. They said she'd been led to believe (when she contacted them on 28 April) the renovation work had been added to the policy – but that wasn't the case as their underwriters had asked for a signed copy of the contract, including

the contractor's liability insurance. AXA said they emailed Ms S on 5 June saying a copy of the signed contract was required, and if not provided the policy would be cancelled as of 19 June. AXA acknowledged Ms S contacted them to say she would send a signed cope when she could. But as this didn't happen before 19 June, they cancelled the policy (and refunded the premiums).

However, AXA acknowledged, having listened to the calls with Ms S, the information they'd provided was at times misleading. And she hadn't been called back when calls unexpectedly ended part way through. AXA apologised and awarded £300 compensation for the inconvenience suffered by Ms S.

Ms S challenged AXA's final response the same day, referring to being told (when she contacted them on 20 June) if she provided the signed contract within 14 days the policy would be reinstated. As she'd sent the signed contract a couple of days later, she expected her policy to be reinstated. She also said the email from AXA on 5 June didn't refer to the need for a signed contract – she was only told that when she phoned AXA. She assumed the cancellation referred to in the email was in respect of the contents element of her policy.

AXA considered the points raised by Ms S but on 27 June emailed her to say their underwriters wouldn't offer cover as they said Ms S had indicated the value of renovation works was £560,000 (including VAT). They would accept works valued at £500,000 to £550,000 (including VAT) but when they received the signed contract it indicated the value was significantly higher, as the £560,000 figure was exclusive of VAT – the total contract value was £669,442.. AXA also said they would consider the points raised as a further complaint.

Ms S challenged AXA again, saying she hadn't indicated the value of £560,000 included VAT and AXA hadn't indicated their limit for renovation works was likely to be exceeded. Nor that AXA's decision was dependent on her providing a signed contract. She also had to secure alternative cover, which had cost almost £4,000. She wanted AXA to cover the additional cost over and above the premium they'd refunded her (some £3,000).

AXA issued a second final response on 18 August 2023, in which they didn't uphold the complaint. They said while they offered specialist insurance including cover for renovation works, the total contract value of Ms S's renovations was outside their risk criteria, so they were unable to offer cover.

Unhappy at what had happened, Ms S complained to this Service. She hadn't been told the value of the renovation work was greater than the limit AXA were willing to allow, and she'd understood the renovation work had been added to her policy before the work began. She'd been very distressed at having to obtain alternative insurance in difficult circumstances. The £900 premium returned to her included cover for contents, so the financial loss she'd suffered was more than £3,000.

Our investigator upheld the complaint, concluding that while AXA were entitled to cancel the policy as the cost of the renovation work was outside the limit they would cover, there had been a lack of information provided to Ms S. From the evidence available, they hadn't warned Ms S there was a risk they would cancel the policy due to the value of renovations. And she'd been led to believe the renovations were covered. And she'd subsequently been told she could send the signed contract when available. It was when the signed contract was provided that AXA said the value exceeded the limit they were willing to cover.

To put things right, the investigator thought AXA should pay a further £500 compensation (in addition to the £300 they'd awarded).

Ms S responded to say she'd told AXA at the outset the estimated value of the work was £560,000 – which was higher than the limit she was subsequently told they would cover. So, AXA knew this from the start. They could have told her they wouldn't cover works of that value when she first contacted them – not two months later. Nor was she asked to clarify whether the figure she'd given was inclusive or exclusive of VAT. But this wasn't relevant as the figure she'd given was higher than AXA's limit regardless of whether it included or excluded VAT.

AXA disagreed with the investigator's conclusions and requested an ombudsman review the complaint. They said they'd emailed Ms S on 26 May 2023 saying she'd requested a change to her policy (the renovation work) that related to their risk acceptance criteria, and she should contact them within seven days. The email also said no cover was in place for the changes requested and if no response was received in seven days, the policy might be cancelled. AXA added Ms S contacted them the same day to say she would be sending them a copy of the signed contract within seven days. This didn't happen, but they held off giving notice of the cancellation until 5 June, to take effect on 19 June. AXA thought this was fair and reasonable.

Receiving the signed contract on 22 June showed the value was £669,442 – not the £560,00 originally notified by Ms S. The former was above the underwriting criteria (limit) they were willing to accept, so they weren't able to reinstate the policy. And they'd cancelled the policy in line with their cancellation rights set out in the policy booklet and policy schedule.

### **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.

My role here is to decide whether AXA have acted fairly towards Ms S.

The key issue in Ms S's complaint is whether AXA have acted fairly in cancelling Ms S's policy on the grounds the renovation works at her property exceeded the limits for such works they are prepared to accept (the indications from AXA are that they would insure works with a value – inclusive of VAT – of between £500,000 and £550,000. Whereas the contract value of Ms S's renovation works was £669,442 (including VAT).

Ms S says she wasn't made aware of AXA's limits, nor that she initially indicated to them the contract value was £560,000 including VAT. And AXA didn't make it clear they needed a signed copy of the contract. AXA acknowledge they gave misleading information to Ms S at several points but maintain they can't offer cover for the value of contracted renovation works as they exceed the underwriting limits they are prepared to accept. They've offered £300 compensation for the inconvenience suffered by Ms S.

In considering the issue, I've looked at all the evidence and information provided by Ms S and by AXA. AXA say the policy is designed to include cover for renovation works. Looking at the policy document, 'renovation' is referred to as part of the definition of *Repairs, Alterations, Extensions or Renovations*, as follows:

*“Any work within Your Home or within the Boundary or to items We insure which involves any building works (including electrical or plumbing adjustments) or structural alterations exceeding a cost of £20,000.”*

While the definition includes a 'value exceeding' figure, there's no indication of a maximum value or limit, nor in the policy schedule or Insurance Product Information Document IPID). But the policy does require a policyholder to tell AXA about any changes affecting the policy, one of which is listed as *“undertaking any Repairs, Alterations, Extensions or Renovations”*.

By implication, given the definition of the term, this would mean over £20,000 (as is the case here). This is what Ms S did when she contacted AXA in April 2023, before the scheduled start of the renovation work.

Looking at AXA's policy notes, I can see several references to contacts between Ms S and AXA from her initial call to tell them about the renovations (19 April). Further calls took place on 25 and 26 April, the latter includes reference to a value of £560,000 for the renovations – though the reference doesn't specify whether the figure is inclusive or exclusive of VAT. There's a further reference (28 April) indicating AXA may not be able to cover the renovation works, given the value, and Ms S should be asked to provide a copy of the signed contract for the renovation works (including the contractor's insurance cover) and a schedule setting out the works to be undertaken.

A further reference is made to a later call on 28 April indicating Ms S was told the renovation work was on the policy. And on 18 May there's reference to Ms S being told the renovation work is on the policy – but the change hasn't been accepted. The notes indicate an email was sent to Ms S on 18 May asking for information, and a second email on 26 May (which I take to be the one referred to by AXA in their response to our investigator's view). But the notes don't include any reference to Ms S contacting them the same day to say she would provide the signed contract within a week.

On 5 June there's reference to the renovation work and outstanding matters – a copy of the signed contract for the renovations. – and so policy cancellation was initiated (the email sent to Ms S on the same date). On the same date there's reference to Ms S's call and a request within AXA not to cancel the policy pending Ms S sending in the signed contract, but the cancellation would take effect until the signed contract was received and reviewed. On 26 June there's a note indicating the signed contract value falls outside AXA's risk criteria so they wouldn't consider reinstatement of the policy.

Looking at this sequence of events, I think Ms S acted in line with the policy requirement to tell AXA about the scheduled renovation work. I haven't been provided with call recordings, but it seems clear Ms S provided an estimated value of the work when she first contacted AXA. But it isn't clear whether she said it included or excluded VAT (she says she gave the figure excluding VAT, and I've seen no clear evidence to contradict this). There's no indication either that AXA asked her to confirm whether the figure included VAT, which is what I would have expected them to do were there any doubt. So, I've concluded Ms S didn't provide AXA with incorrect information – I've also noted the final value of the signed contract was marginally lower than the estimated figure she'd provided.

But in any event, the figure provided by Ms S exceeded the £500,000 to £550,000 range AXA notes indicate they would be prepared to accept under their underwriting criteria – irrespective of whether the figure included or excluded VAT. That being the case, it's not clear why AXA didn't make this clear at the outset, and they wouldn't be able to provide cover under the policy. Had they done so – before the works were scheduled to begin – the policy could have been cancelled at that point and Ms S sought alternative cover.

They then indicated to Ms S the works were on the policy – which was incorrect. And the cancellation email sent on 5 June didn't reference the need for a signed contract covering the renovation works. AXA acknowledge they provided misleading information to Ms S in their final response, and from what I've seen, I agree.

As AXA's underwriting criteria wouldn't have allowed them to accept the renovation works under the policy, that's a commercial decision for AXA as to the level of risk they are prepared to accept and whether or not they're willing to provide cover under the policy. But it was only after Ms S provided the signed contract that they told her their underwriting criteria

wouldn't allow them to accept the works under the policy. And so they wouldn't reinstate the policy. At that point, Ms S had to seek alternative cover from another insurer, the work having already started the previous month.

Taking all these points together, I've concluded that while AXA weren't entitled under their underwriting criteria, not to accept the value of renovation works under the policy, they didn't act fairly towards Ms S in the time they took to arrive at that position and the misleading information they'd provided to her, leading her to think she was covered when she wasn't.

Having reached this conclusion, I've thought about what AXA need to do to put things right. As they wouldn't have accepted the value of the renovation works under the policy, it was always going to be the case the policy couldn't have continued (the contents element having already been cancelled). So, Ms S would have had to obtain alternative cover elsewhere. But the circumstances of the case meant she had to do so quickly, after the renovation work had begun. Together with the likelihood she'd have had to declare AXA's cancellation of her policy, this would have made obtaining alternative cover more difficult and more expensive. Ms S has told us this was the case, saying she was told by insurers willing to include cover for the renovation work she could have found buildings cover alone had she done so before the renovation work started – but not at the point her policy was cancelled.

Ms S has provided an indication of the cost of her new policy and wants AXA to reimburse her for the difference. While I think AXA haven't acted fairly, I don't think it reasonable to ask them to pay Ms S the whole difference in premiums (allowing for the refund of premiums she received when the AXA policy was cancelled). I haven't seen the terms of the new policy Ms S took out, but it would have been provided on the new insurer's assessment of risk presented by Ms S, including the substantial renovation works (being in progress). The new insurer would have taken these factors into account when offering cover, and the cost (premium) of providing that cover.

Having to take out alternative cover would have been stressful and inconvenient, in addition to the cost of doing so in the circumstances of what happened, as Ms S has described. I've considered this in the context of the guidelines on awards for distress and inconvenience published by this Service. I think Ms S has suffered considerable distress, upset and worry and significant inconvenience and a serious short-term impact, compounded by the additional cost of having to take out alternative cover elsewhere.

AXA awarded Ms S £300 compensation in their initial final response, for providing misleading information – but not for the subsequent cancellation and refusal to reinstate the policy. Given my conclusions above, I think they need to make a further award for the reasons I've set out. Taking all the circumstances of the case into account, I think a further £500 (in addition to the £300 AXA have already paid) would be fair and reasonable.

### **My final decision**

For the reasons set out above, it's my final decision to uphold Ms S's complaint. I require AXA Insurance UK Plc to:

- Pay Ms S £500 compensation for distress and inconvenience (in addition to the £300 they've already awarded).

AXA Insurance UK Plc must pay the compensation within 28 days of the date on which we tell them Ms S accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or

reject my decision before 29 May 2024.

Paul King  
**Ombudsman**