

## **The complaint**

Mr and Mrs P complain about AXA Insurance UK Plc's handling of their home insurance claim as well as the amount of the settlement it offered them.

AXA is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As AXA has accepted it is accountable for the actions of the agents, in my decision, any reference to AXA includes the actions of the agents.

## **What happened**

In January 2023, Mr and Mrs P made a claim under their home insurance policy with AXA after their garage was damaged by a storm. AXA arranged for a surveyor to assess the damage and the property was visited in February 2023.

Mr and Mrs P raised concerns about poor communication and a lack of progress on the claim. AXA offered them £300 compensation in March 2023. However, this didn't resolve things for them as they still hadn't been offered a settlement for their claim. They were concerned about further damage to the garage which was exposed to the elements.

In September 2023, AXA offered Mr and Mrs P a settlement of £523 (net of the £350 policy excess). Mr and Mrs P accepted this by email, but AXA didn't pay it.

In late October, Mr and Mrs P referred their complaint to the Financial Ombudsman Service. They said the claim had been poorly handled with hardly any communication from AXA and its agents. They hadn't received the £300 compensation they'd been offered despite asking for it multiple times. The settlement for their claim was substantially lower than they'd hoped for, and they hadn't received it. AXA's delay in paying the settlement had resulted in additional internal damage to the garage due to water ingress.

Shortly after Mr and Mrs P brought their complaint to our service, AXA sent them a final response. It said it had issued a response to their complaint in relation to delays and underinsurance in July 2023. It understood Mr and Mrs P had declined the £300 offered in its final response dated 27 March 2023. It would arrange for the claims team to contact them to pay this as soon as possible.

Our investigator looked into Mr and Mrs P's complaint and thought it should be upheld. He didn't think it was fair for AXA to have offered them a reduced settlement on the basis that they were underinsured because it hadn't provided evidence to support its position. He recommended AXA pay Mr and Mrs P the full settlement for the claim along with interest on the outstanding amount. He also recommended that AXA pay them £450 to compensate them for delays and poor service.

Mr and Mrs P accepted our investigator's outcome, but AXA didn't respond, despite being chased by our investigator. So, 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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

I thought it would be helpful to provide some clarity about the Financial Ombudsman Service's role and the scope of the complaint that I'm deciding. Our role is to resolve disputes between complainants and financial businesses, to help both parties move on. It isn't our role to handle a claim or to deal with matters as they arise.

The concerns Mr and Mrs P had raised prior to AXA's final response of 27 March 2023 have been considered separately by our service. In this decision, I will be considering matters complained of from 27 March until AXA's final response of 8 November 2023.

### Customer service and delays

The relevant industry rules say an insurer should handle claims promptly and fairly. It should also provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress.

Having reviewed the information available to me, I think the service Mr and Mrs P have received from AXA has been extremely poor.

I can see the surveyors submitted a scope of works for the external repairs in mid-May. It looks like AXA agreed to cover the cost of repairing internal damage in late August and a settlement offer was made to Mr and Mrs P in mid-September.

Mr and Mrs P responded to the settlement offer about a week later, but this wasn't paid. They've told us they didn't receive it until around mid-January.

It took far longer than it should have done for AXA to offer Mr and Mrs P a settlement. I don't think AXA was proactive in managing the claim or keeping Mr and Mrs P up to date on its progress. I can see Mr and Mrs P chased AXA for responses to their emails a number of times. This was no doubt very frustrating for Mr and Mrs P who were also worried about further damage to the garage while it remained unrepaired.

Our investigator recommended AXA pay Mr and Mrs P £450 for poor service and avoidable delays. This is in the range of what our service might typically award where a business is responsible for causing considerable distress, upset and worry and / or significant inconvenience and disruption that needs a lot of extra effort to sort out. So, I think this amount would reasonably recognise the distress and inconvenience Mr and Mrs P experienced as a result of AXA's poor service for the period I'm able to consider in this decision.

### Settlement offer

The policy's terms and conditions say:

*"Check the cover limits*

*You can find Your cover limits in Your Policy Document. When you read this, make sure You've requested adequate levels of cover:*

- *When taking out a policy, You are asked the amount it would take to completely rebuild Your Home, Outbuildings or replace Your Contents, specified items or general possessions (on a 'new for old' basis), the "sum insured" or, for individual items, their "worth".*
- *If the "sum insured" isn't enough, You are "underinsured". This means that any claim that is settled will be reduced in proportion depending on how underinsured You are, regardless of the amount of the claim."*

AXA has relied on the above term to reduce the amount it offered to settle the claim. The total cost of repairs on the scope of works prepared by AXA's surveyor is £4,123.50 for the external damage. But AXA's settlement offer for both the external and internal damage was only £873.15 minus the £350 policy excess.

AXA appears to have reduced the settlement because it believes the outbuildings on Mr and Mrs P's property are underinsured. The policy schedule is showing a sum insured of £10,000 for outbuildings cover. But AXA's surveyor estimated the cost of rebuilding the outbuildings to be around £56,000.

According to the policy term, AXA wanted to know how much it would cost to completely rebuild all of Mr and Mrs P's "outbuildings". Within the policy, this word is defined so its full meaning is explained. It says it includes, amongst other things, detached garages, sheds, boundary or garden walls and fences.

When an insurer sells a policy directly to a consumer, it's responsible for gathering information from the consumer that it considers relevant – such as the rebuild cost for outbuildings.

When a broker sells a policy, it is responsible for gathering that information from the consumer and passing it to the insurer. How it gathers that information is a matter for the broker – not the insurer.

I can see that the documents for the period of cover relevant to the claim were sent to Mr and Mrs P by a broker in September 2022. But this complaint is against AXA in its role as the insurer. So, I haven't considered how information regarding the cost of rebuilding the outbuildings might have been gathered here.

As far as AXA is concerned, it wanted to know the full rebuild cost for the outbuildings and it didn't receive a reasonable answer. The information from AXA's surveyors suggests that the outbuildings would cost around £56,000 to completely rebuild. This is much higher than the £10,000 sum insured on the policy schedule.

However, I think it's fair to go on to consider what impact this might have had on AXA. If AXA had been given a more reasonable estimate of the rebuild cost for the outbuildings, what difference – if any – would it have made to AXA.

Our investigator asked AXA for evidence of what it would have done if better information had been provided several times during his investigation. But AXA didn't respond to his requests. Without this information, I'm unable to conclude that a more reasonable estimate of the cost of rebuilding the outbuildings would have made a difference to AXA in terms of offering the policy or the premium charged. So, I think it would be fair for AXA to settle Mr and Mrs P's claim in full, without relying on the average clause. I also think it would be fair for AXA to add

interest to the amount left to pay to reflect that Mr and Mrs P have been left without it unfairly.

### **Putting things right**

AXA should:

- Settle the claim in full, without relying on the average clause and
- Pay Mr and Mrs P interest on the outstanding amount left to pay at 8% simple per year\*, from the date the settlement was first offered until the date the additional amount is paid and
- Pay Mr and Mrs P £450 for distress and inconvenience.

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

### **My final decision**

For the reasons I've explained, I uphold Mr and Mrs P's complaint and direct AXA Insurance UK Plc to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 12 July 2024.

Anne Muscroft  
**Ombudsman**