

The complaint

Mr W has complained that AA Underwriting Insurance Company Limited incorrectly recorded a claim he made on his home insurance policy.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr W got in touch with AA when he noticed crack damage at his home. AA appointed a loss adjuster who carried out investigations and concluded the damage hadn't been caused by subsidence, or anything else insured by the policy.
- AA declined the claim and recorded a subsidence claim on the Claims and Underwriting Exchange (CUE) – a database used by many insurers to record claims information. At the next renewal, the premium increased, so Mr W searched the market for alternative providers.
- Mr W found it difficult to get home insurance elsewhere. Some asked him to pay for a structural survey before they would consider insuring him. As the claim had been declined because the damage hadn't been caused by subsidence, Mr W didn't think he'd been left in a fair position by AA.
- AA agreed to change the claim record from subsidence to accidental damage. Mr W didn't think a claim should be recorded at all, as his claim was unsuccessful.
- AA said it had acted fairly when recording the claim on CUE because it had explained in the policy documents it would do this – and there had been damage at Mr W's property which he had intended to claim for.
- Our investigator thought AA had acted fairly by recording the claim on CUE as accidental damage and didn't ask it to do anything further.
- Mr W didn't think this was a fair outcome. He said there hadn't been accidental damage to his property, so it was inaccurate to say there was. He also said AA had unfairly increased his premiums and he was unable to shop around.
- An agreement wasn't reached, so the complaint has been passed to me.

My provisional decision

I recently issued a provisional decision in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

There are a number of different points to consider, so I'll look at each in turn.

What was the cause of damage?

- AA's loss adjuster viewed the damage and said they thought it had been caused by thermal expansion and contraction – which isn't subsidence and isn't covered by the policy. However, they couldn't rule out the possibility that the damage had been caused by subsidence and, in order to do so, they arranged level monitoring.
- Monitoring was carried out for ten months. The loss adjuster reviewed it and said it didn't show subsidence movement. As a result, it declined the claim.
- I don't think Mr W disputes this, but for completeness, I'm satisfied the loss adjuster's conclusion was a reasonable one. The monitoring doesn't show any clear signs of subsidence movement. And I haven't seen any professional opinion to challenge what the loss adjuster found.
- I'm also satisfied the loss adjuster acted reasonably by carrying out monitoring to check for the possibility of subsidence. Had the monitoring revealed there was active subsidence movement, it's likely the claim would have been accepted and AA, through the loss adjuster, would have taken steps to put it right. That would have benefited Mr W, so I think it was fair for the loss adjuster to rule this possibility out.

Can AA record a claim on CUE?

- AA says in its policy that it will record 'incidents', such as damage, on CUE – whether or not they lead to a claim. That's highlighted in the 'important notes' section of the policy schedule. So I'm satisfied it's been clear with Mr W that's what it will do. There was damage which Mr W intended to claim for, so I'm satisfied it was reasonable for AA to record a claim on CUE.
- Most home insurers record claims on CUE in this manner. It's not unusual to do so and not unfair in principle – provided the CUE record is a reasonably accurate reflection of what happened. Amongst other things, that means recording as accurately as it can the cause of damage, cost of the claim, and the claim status.
- Accuracy is important as many insurers will make decisions about who to insure, and at what premium, based on CUE information. And certain causes of damage, such as subsidence, are likely to represent a significantly increased risk to insurers. That can lead to insurers refusing to offer cover, offering cover with a higher premium and/or excess – or asking for things like structural surveys, as Mr W found.

How should the claim have been recorded?

- Initially I think it was reasonable for AA to record a subsidence claim, as that was what they were investigating. However, once subsidence had been ruled out, the claim should not have been recorded as subsidence.
- I understand the claim must be recorded with a cause of damage and accidental damage is routinely used when the damage hasn't been caused in a way covered by the policy – for example, by causes such as subsidence, fire or theft. Accidental damage tends not to be seen as presenting the kind of risk that subsidence or flood often does. And there was damage at Mr W's property, which wasn't intentional or foreseeable, so I don't think it's inaccurate or unreasonable to describe it as

'accidental'. Overall, I'm satisfied it was reasonable to record the claim as accidental damage in the circumstances.

- When the claim was declined, it was recorded as subsidence. But it shouldn't have been as at that point AA had said, reasonably, that the damage hadn't been caused by subsidence. So that wasn't an accurate way to record the claim.
- It was only after Mr W had run into difficulties with other insurers, and got back in touch with AA, that it changed the cause to accidental damage. And that took some time to do, including a number of calls from Mr W to chase progress.
- AA has been unable to show the CUE record. But its internal system shows the claim is recorded as accidental damage, so I think it's likely that's what has been recorded on CUE too. And it's been like that since shortly after the 2023 renewal. That means there's been no reason for other insurers to think the claim was for subsidence since that time – and there won't be in the future. So the claim is accurately recorded now.
- Had AA accurately recorded the claim at the time it was declined, Mr W wouldn't have suffered wasted time and effort with other insurers, or AA, as a result of the claim being recorded as subsidence. And it's clear this has given Mr W cause for concern about how insurable his property is. As a result, I think AA should pay compensation for that avoidable distress and inconvenience. I consider £200 is reasonable in the circumstances.

Has Mr W suffered a financial loss?

- Part of Mr W's complaint is about the premium increases which followed after the claim was declined. I'll consider those increases, and whether they were fair. I'll use approximate numbers for simplicity.
- At the 2022 renewal, prior to the claim, the total premium for buildings and contents was £315.
- At the 2023 renewal, the claim was still recorded as subsidence. The total premium increased. But, after the claim was updated to accidental damage, AA recalculated the premium and provided a refund. So, the 2023 premium became £445. That meant the premium increased by around 40%.
- In 2024, the policy renewed at £565 – a further increase of around 25%.
- AA has said the average price for home insurance has continued to rise in recent years for a variety of reasons. That's in keeping with information provided by the Association of British Insurers, which suggests annual increases of around 20% for home insurance policies in 2023 and 2024.
- AA's 2023 increase was much greater than that. However, an above average increase isn't unusual when a claim is recorded, even if it's declined. Given the extent of the increase, I'm satisfied AA treated Mr W fairly. And at the 2024 renewal, AA's increase was a little above average, and I don't find that unfair.
- Overall, that means I don't think AA unfairly increased Mr W's premiums.
- As the CUE record is accurate now, premiums offered by any insurer at future renewals will be based on accurate information. And CUE doesn't record premiums,

so other insurers won't know what AA charged – or why. With a declined accidental claim, I can't see any reason why Mr W would be unable to shop around and find insurance on normal terms with most insurers if he wishes.

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.

- AA didn't respond to my provisional decision, so I understand it accepts what I said and has nothing further to add.
- Mr W responded to say he agreed with most of my provisional decision, but he had two points he'd like me to consider further.
- Firstly, he doesn't think it's fair that a claim is recorded as 'accidental damage' as he says there hasn't been accidental damage to his property. And secondly, the recorded claim is continuing to have an impact on his premium and will do for years to come, so he will be out of pocket by more than £200.
- I've thought about these points, but they don't change my mind. I'll explain why.
- As I said in my provisional decision, it's reasonable for AA to record a claim – provided the CUE record is a reasonably accurate reflection of what happened.
- It's possible for any claim, no matter the cause, and even if declined, to lead to insurers charging increased premiums. Many insurers consider a declined claim an indicator of greater risk of future claims. The simple fact is that Mr W made a claim, so he may find his premium with any insurer is higher than if he hadn't made a claim. That's not AA's fault. Where it could be at fault is if it recorded the claim inaccurately and that led to an additional premium increase that didn't represent the true risk.
- The damage was caused by thermal expansion and contraction. So Mr W may wish for CUE to say that. But CUE, like many databases, has a defined list of options and this isn't one of them. If selecting another option were to disadvantage Mr W, I would find that unfair and require AA to compensate him accordingly. But it doesn't.
- The common meaning of 'accidental damage' in the insurance industry is damage which was unintentional and unexpected. I'm satisfied thermal expansion and contraction is in keeping with that meaning. So, to call the damage at Mr W's property 'accidental' isn't inaccurate or misleading. And I'm satisfied that's a fair way for AA to record the claim.
- Some causes of damage, such as subsidence or flood, can be seen as particularly risky by insurers and lead to them not offering cover at all – or only with significant premium increases. Insurers don't tend to see accidental damage claims that way, so I don't think Mr W's premiums will be increased in the same way. Nor will they be increased to a greater degree than if CUE said the cause of damage was thermal expansion and contraction.
- I said AA should pay £200 compensation for the time and effort Mr W wasted as a result of it wrongly recording the claim as subsidence. It wasn't to meet the financial consequences of any increased premiums.

- Overall, Mr W may see an increase in his premium as a result of the declined claim. But I don't think that's unfair or unusual and it's not AA's fault. It made a mistake recording the claim as subsidence, but it's put that right, and the compensation will remedy the distress and inconvenience Mr W suffered as a result. I'm satisfied that's a reasonable response to Mr W's complaint and AA need do no more.

My final decision

I uphold this complaint.

I require AA Underwriting Insurance Company Limited to pay £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 July 2024.

James Neville
Ombudsman