

The complaint

Miss B has complained about the way AXA Insurance UK Plc handled a claim she made under her home insurance policy.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- Miss B got in touch with AXA about crack damage to an outbuilding. It appointed a loss adjuster, C, who thought the damage was caused by subsidence and covered by the policy. It made a cash payment to settle the claim.
- Miss B arranged for a stonemason to carry out the repairs. She said they didn't think the damage was caused by subsidence. Miss B found that having a subsidence claim on her insurance record made it harder to find insurance at a similar price to that she'd paid before – though she said she'd been told the claim wouldn't impact her policy or premiums. As a result, Miss B complained.
- AXA said it initially recorded the claim as subsidence, based on the nature of the damage. It said there had been incorrect information about the cause of damage, but maintained the claim would be recorded as subsidence. It invited Miss B to provide a structural engineer report to contest that. It apologised if Miss B had been told the claim wouldn't impact her policy or premiums and offered £400 compensation.
- Miss B took advice from a structural engineer, S, who, in summary, said they didn't think the damage had been caused by subsidence. AXA said it hadn't received a report and maintained its position. Miss B referred her complaint to this Service.
- Our investigator thought the evidence provided by Miss B was more persuasive than that provided by AXA. As a result, he said AXA should change the way the claim is recorded from subsidence to accidental damage. And he said AXA should reimburse the cost of S' advice. He thought £400 was fair and reasonable compensation.
- AXA agreed to change the claim record and confirmed Miss B didn't need to return the claim settlement for this to happen. But it didn't agree to reimburse the report cost. As an agreement wasn't reached, the complaint has been passed to me.

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 agreed to change the way the claim is recorded from subsidence to accidental damage. And it's been clear Miss B doesn't need to return the claim settlement she received in order for this change to be made.

- All that remains in dispute is whether AXA has acted fairly in relation to any financial or non-financial losses Miss B has suffered. To decide this, I'll first consider how the claim was handled.
- Each claim must be recorded with a cause of damage from the policy. When Miss B made a claim for crack damage, subsidence was, on the face of it, the most likely cause of damage. So I'm satisfied it was reasonable for AXA to initially record the claim that way.
- To consider a possible subsidence claim, it's best practice for an appropriately qualified and experienced individual to inspect the damage and make a judgement about the cause of damage and, if covered by the policy, what steps should be taken to remedy the damage. These steps may include further investigations. The individual would usually be a structural engineer, surveyor or similar.
- However, this didn't happen. C didn't carry out a physical inspection. C tried to conduct a video call, but that didn't work. No investigations were carried out. A judgement was based solely on photos and videos taken by Miss B. It's unclear whether that judgement was made by an appropriate individual, along the lines I set out above. And I haven't seen a full report to set out their rationale for the judgement they made. The only report is a brief summary, with little explanation.
- In these circumstances, I'm not satisfied AXA carried out a reasonable level of investigation into the cause of the damage. I'm not persuaded it has much evidence, if any, to show it acted fairly when saying the damage was caused by subsidence.
- On the other hand, S' advice was provided by a chartered structural engineer. They didn't carry out a physical inspection either, but explained this was because the repairs had already been completed by that time – otherwise, they would have visited to make a judgement about the likely cause of damage. Nonetheless, they provided a detailed explanation for what the photos showed, other relevant considerations, and why they didn't think the damage was caused by subsidence, or anything else covered by the policy. This evidence is persuasive and much more compelling than that provided by AXA.
- Taking all of this into account, I'm satisfied the weight of evidence is firmly against subsidence being the cause of damage.
- Ordinarily, if AXA chose to settle a claim that's not covered by the policy, that would be a choice AXA is entitled to make. It's likely that would be received positively by a policyholder. But settling a claim for subsidence can have a significant and lasting impact on a policyholder. Amongst other things, it will usually mean it's very difficult to find insurance cover, at a similar price, for their buildings. Where the damage was genuinely caused by subsidence, that may be a fair reflection of the risk involved in providing insurance. But, where the damage wasn't caused by subsidence, that's likely to leave the policyholder at an unfair disadvantage.
- So I think it was right for AXA to agree to change the way the claim is recorded from subsidence to accidental damage to much more accurately reflect the nature and cause of the damage. That should be done internally and externally.
- And I also think it was right for AXA to confirm it wouldn't ask for the settlement back. The settlement was AXA's mistake and Miss B has since spent the money on the

repairs. To ask her for the money back in these circumstances is likely to disadvantage her as a result of AXA's mistake – which isn't fair.

- I also think it was right for AXA to pay compensation for the distress and inconvenience it caused. I'm satisfied the £400 it offered is fair and reasonable in the circumstances. If it's already been paid, no further compensation is required.
- That leaves Miss B's financial losses to consider. I think it would be fair to keep in mind when considering such losses that Miss B has a benefit from AXA's mistake – the outbuilding is repaired, despite the damage not being covered by the policy.
- I also think it would be fair to keep in mind that the repairs weren't imperative. And Miss B has no direct financial advantage from the settlement as the repairs have been carried out. So whilst Miss B does have a benefit from AXA's mistake, that benefit doesn't take the form of a cash lump sum or equivalent.
- Miss B spent £696 on S' engineering advice, and she wouldn't have done so were it not for the way AXA handled things. It didn't investigate the claim as thoroughly as it should have done and made a mistake when settling the claim. That alone may not mean it would be fair to require AXA to reimburse this cost, bearing in mind the benefit Miss B received.
- But I think it's relevant that AXA didn't take any meaningful action when Miss B shared the stonemason's comments and questioned whether the damage had been caused by subsidence. I also note AXA suggested Miss B take engineering advice to support her position. So it compounded its initial mistake by not taking steps to put it right and leaving Miss B with little choice but to incur further costs. So I think it's fair in these circumstances for AXA to reimburse the cost of S' advice.
- Had the claim been investigated as thoroughly as it should have been, it's likely it would have been declined prior to the June 2023 renewal – and it wouldn't have been recorded as subsidence. As a result, at the 2023 and 2024 renewals, there would have been an accidental damage claim recorded on Miss B's policy, not a subsidence claim. That would generally be seen as less risky by many insurers, so it's possible that would have resulted in a lower premium. I don't think it would be fair for Miss B to pay a premium for a higher risk than there actually was.
- So AXA should recalculate the premiums at those renewals, with the cause of damage changed, and refund anything Miss B has overpaid, plus interest. But Miss B should note this may not generate any refund, or only a modest one, depending on AXA's approach to risk.

My final decision

I uphold this complaint.

I require AXA Insurance UK Plc to:

- Change the way the claim is recorded, internally and externally, from subsidence to accidental damage.
- Recalculate the 2023 and 2024 premiums with the claim recorded as accidental damage instead of subsidence and refund any amount(s) Miss B has overpaid.
- If that generates a sum to refund, add interest to that sum at 8% simple per annum, from the date(s) the premiums were paid to the date of settlement*.

- Pay £696 for S' advice.
- Pay £400 compensation, if not done so already.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 15 April 2025.

James Neville
Ombudsman