

## **The complaint**

Mr and Mrs P are unhappy about how AA Underwriting Insurance Company dealt with their claim following an escape of water in their home. They're unhappy with the length of time it took to progress their claim, the amount they've been offered as a cash settlement, and that they weren't offered alternative accommodation.

## **What happened**

Mr and Mrs P had household buildings and contents insurance with AA. On 31 August 2023 they contacted AA to report an escape of water and to make a claim on their policy. AA advised Mr and Mrs P that their policy covered the damage caused by the leak, and not the leak itself, so they'd need to arrange to have the leak fixed. Mr and Mrs P instructed a leak detection company who established that the leak was coming from pipework behind the shower in their ensuite bathroom. And their plumber dealt with the leak.

AA sent a surveyor to inspect the damage to Mr and Mrs P's property. He carried out his inspection on 7 September 2023 and sent AA his report.

Having considered the surveyor's report on 22 September 2023 AA advised Mr and Mrs P that the claim was declined as they said the damage was due to wear and tear which wasn't covered by their policy.

After the claim was declined Mr and Mrs P instructed a loss assessor to act on their behalf. They provided a mandate to him to deal with AA on their behalf.

AA wrote to Mr and Mrs P on 26 September 2023 explaining how they'd deal with the claim following their appointment of a loss assessor. The letter said they'd endeavour to work with the loss assessor to conclude their claim, but they reserved the right to contact them in certain circumstances. And if they wished to use their own supplier AA might offer a cash settlement which would be based on what it would cost their suppliers to do the work and might be less than Mr and Mrs P's suppliers would charge.

AA sent a second letter on the same date apologising for the confusion around the validity of Mr and Mrs P's claim and the incorrect decision to decline it. AA confirmed that their surveyor had recommended a cash settlement of £2,960.32 from which the £500 policy excess would be deducted. They sent a schedule of works with their letter.

The loss assessor was also advised of the cash settlement offer on 26 September 2023.

Mr and Mrs P raised a complaint about the service they'd received from AA on 28 September 2023. This was acknowledged by AA the same day.

On 3 October 2023 Mr and Mrs P's loss assessor emailed AA with his views on the proposed schedule of works and the cash settlement offer. He considered the schedule of works was inadequate to cover the remedial works required as was the cash settlement offer. He said he'd asked one of his panel contractors to provide quotes for the reinstatement works, which he hoped to receive shortly. He suggested that a constructive dialogue could

then take place to allow Mr and Mrs P's property to be returned to its pre loss condition.

AA issued their final response to the complaint on 12 October 2023. They upheld the complaint and apologised for the claim initially being declined, the short delay this had caused with the claim and the inconvenience this had caused.

On 14 October 2023 AA emailed Mr and Mrs P's loss assessor advising him that they'd referred his comments about the schedule of works and cash settlement offer to their in-house surveying team and would update him when they'd reviewed the case.

On 26 October 2023 AA emailed Mr and Mrs P's loss assessor confirming what adjustments had been made to the schedule of works following a review of his comments.

He replied on 21 November 2023 saying AA's response was incomplete and didn't confirm the amount of the revised cash settlement. He also said that as the tiles in the ensuite bathroom needed to be removed for drying, because the wall and floors were wet, and replacement tiles would be required, so the walls and floor had a consistent finish.

AA provided a revised scope of works to the loss assessor on 15 December 2023 with an increased cash settlement offer of £3,712.57, from which Mr and Mrs P's £500 policy excess would be deducted.

The loss assessor replied to AA on 18 December 2023 saying he didn't understand the continued limitations they'd placed on the scope of work. And that the pictures he'd provided showed bound moisture behind the tiles, yet the scope made no provision for the removal and reinstatement of all the tiles, rather than just those affected by the trace and access works.

The loss assessor proposed that either AA accepted the costs he'd provided for all the work required. Or that consideration be given to the need for significantly more work than their schedule currently provided for, with an appropriate further schedule of works being produced. Or an urgent meeting at the property so the works could be discussed and agreed.

He concluded by saying that Mrs P had recently undergone significant knee surgery, wasn't mobile, and needed the ensuite bathroom restored with further delay. He also requested that a complaint be raised about how the claim had been handled.

He followed this up with a further email later on 18 December 2023 saying that Mrs P couldn't live in the property following her surgery and requesting that AA contact him to discuss the provision of alternative accommodation.

The loss assessor chased AA on 4 January 2024 and 11 January 2024 saying he hadn't received a response and requesting an urgent update.

AA sent a final response letter regarding the complaint to Mr and Mrs P on 14 February 2024. In respect of the request to provide alternative accommodation they said the property had four bathrooms and ensembles and alternative accommodation would only be provided if the property couldn't be lived in due to the insured event. They asked for further evidence and an explanation of why the property wasn't habitable and said their claims team would then review this.

In respect of the scope of works and the cash settlement offer they referred Mr and Mrs P to the 'General Conditions relating to Claims' set out on page seven of their policy booklet. This states that AA can complete the repairs using their suppliers; make a cash settlement if Mr

and Mrs P used their own suppliers. And if they do this they'll only pay what they'd pay their suppliers, which may be less than Mr and Mrs P's suppliers would charge them.

If they paid in cash AA said that they'd base their costs on a National Schedule of Rates, a database which they've established over time which ensures that their suppliers and customers are paid fairly in the event of a claim.

They also said the work the surveyor said was required had been checked by their in-house surveyor and had been amended to include some of the work their loss assessor said was missing. So they didn't agree that a further surveyor's visit was required. And they were satisfied that their cash offer was fair. They invited Mr and Mrs P to contact them if they wished to discuss appointing one of their contractors to do the work.

But they did accept they'd been avoidable delays in their claims team contacting the loss assessor. AA apologised for this and said they'd arranged to send them £100 compensation. So the complaint was partially upheld.

Mr and Mrs P weren't happy with AA's response to their complaint. They replied to them on 23 February 2024 stating that the surveyor's report on which they'd based their settlement offer shouldn't be relied on as he'd initially advised that their claim should be declined. And that any assessment of the works required should be based on a correct assessment by a competent surveyor. And they referred to the duty imposed on insurers by the Insurance Conduct of Business Sourcebook (ICOBS) and Consumer Duty, saying that AA had failed in their duty to act in good faith towards them as customers and avoid causing them foreseeable harm.

AA responded on 27 February 2024 saying they were aware of Mr and Mrs P's concerns with their surveyor's original scope of works, but a review had been undertaken by their in-house surveyor in light of their loss assessor's comments, so there would be no further review.

Mr and Mrs P then complained to our service. Our investigator considered the complaint but didn't ask AA to take any action.

He said that as Mr and Mrs P had appointed a loss assessor to act for them the policy allowed AA to make a cash settlement offer, and the policy provided that this offer could be based on the amount AA would pay their own suppliers, which might be less than they'd have to pay contractors they instructed.

He said such a policy term wasn't uncommon and we don't think it's unreasonable and insurers have preferential arrangements in place with suppliers and contractors to keep their costs down. But we expect insurers to offer the use of its network suppliers to a consumer, as AA had done in this case, rather than forcing them to accept a cash settlement.

Our investigator said that Mr and Mrs P's loss assessor disputes the schedule of works on which AA's cash settlement offer is based. He said the disputed aspects are the following:

- Whether it's necessary to remove the wall and floor tiles and sanitary ware from the WC to facilitate drying.
- Whether mechanical drying of the understairs cupboard is required.
- Whether it's necessary to remove the wall and floor tiles and sanitary ware from the ensuite to facilitate drying and ensure a like for like match of the tiles. And

- Whether redecoration of woodwork in the landing and hallway (including stairs) is necessary.

He said the loss assessor also disputes the amount allowed for redecoration of the stairs, landing and hallway.

But he said the loss assessor hadn't provided any persuasive evidence to support his view that additional work is necessary to complete an effective and lasting repair of the incident related damage. Nor had he seen any evidence that like for like replacement tiles can't be sourced, so he didn't accept that replacing only the damaged tiles would result in a loss of match. So he wasn't persuaded that the scope of works provided by AA's surveyor was inadequate.

AA had based their settlement offer on the cost of one of their network contractors completing the work. They'd confirmed to Mr and Mrs P that they had a contractor available to complete the repairs. And according to the terms and conditions of Mr and Mrs P's policy the limit of AA's liability was what it would cost their suppliers to complete the work, so our investigator considered the cash settlement was reasonable and they hadn't been treated unfairly.

Our investigator also considered Mr and Mrs P's request for alternative accommodation, but said the policy only covered this if their property wasn't habitable. While the loss assessor had advised AA that following surgery Mrs P not being able to use the ensuite was inconvenient, he didn't think AA's comment that the property had other bathrooms was unreasonable.

Finally he considered the compensation for the delays AA accepted had taken place and felt that the £100 they'd offered was in line with the level of award we'd have recommended.

Mr and Mrs P weren't happy with our investigator's opinion. They've said that our investigator has focused his opinion on AA deciding to settle their claim with a cash settlement, but this isn't the key issue of their complaint. Their main concern is how AA handled their claim and complaint and they believe they've not been treated fairly.

In support of this they say that AA based their handling of the claim on a surveyor's report which stated that their claim should be declined. So they don't accept that any scope of works based on this report is an acceptable basis on which to settle their claim. They maintain that an on-site meeting to agree a scope of works is required and the appropriate way to proceed, but this has been declined by AA.

Our investigator said that there wasn't enough evidence to confirm that further works are required. Mr and Mrs P say that the photographs taken by AA's surveyor should be enough to show that further stripping out works are required and that the works their loss assessor has recommended are in line with those that would be expected following an escape of water. And they've provided a binder of images which they say shows the extent of the damage, and moisture readings in the affected areas which they say demonstrate the stripping out and reinstatement works required.

Mr and Mrs P said they agreed that alternative accommodation isn't required based on the scope of works provided by AA, but they believe this would change if a correct scope of works was prepared. But this can't be done due to AA's unwillingness to discuss the claim further.

Our investigator considered the further comments made by Mr and Mrs P but this didn't change his opinion.

The case has now come to me for a decision.

### **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.

Insurers have an obligation under the rules set by the insurance industry regulator, the Financial Conduct Authority (FCA), in the 'Insurance: Conduct of Business Sourcebook' (ICOBS) to handle claims promptly and fairly. I've thought about this, and all the other relevant rules and regulations AA were required to adhere to (including those specifically raised by Mr and Mrs P) when deciding whether they have treated Mr and Mrs P fairly in all the circumstances.

Mr and Mrs P are concerned about delays with their claim, the amount they've been offered as a cash settlement and that they weren't offered alternative accommodation.

They've said that AA initially declined their claim based on their surveyor's report so they think it's unreasonable for them to base their settlement offer on his report.

I've considered the report prepared by AA's surveyor provided following his visit to the property. This details the damage caused by the leak and the remedial work he considered was required. Although the surveyor comments on the poor condition of the sealant around the shower tray, he says there was no evidence to suggest this allowed water to leak from the shower cubicle. So I'm satisfied that he didn't advise AA to decline the claim.

AA did initially decline the claim on 22 September 2023. But they reviewed their decision quickly and on 26 September 2023 apologised to Mr and Mrs P for their error in declining the claim, provided a schedule of works prepared by their surveyor, and made a cash settlement offer based on this schedule.

Mr and Mrs P instructed a loss assessor after AA declined their claim and he's prepared a number of schedules of work which detail significantly more work being required than AA's surveyor has recommended.

AA have accepted that there were some avoidable delays in them responding to Mr and Mrs P's loss assessor and they've offered £100 compensation for this which I think is reasonable.

Our investigator's opinion details the disputed areas of remedial work. I'm satisfied that AA referred the schedule of works prepared by Mr and Mrs P's loss assessor to their surveyor and that amendments were made to the schedule to incorporate additional costs for drying equipment to assist drying of the ceiling joists and labour costs for joist repairs. AA's surveyor didn't note any damage to the ceramic and wall tiles in the toilet, or any damage in the understairs cupboard, where he considered natural drying would be sufficient.

In respect of the ensuite AA have said that Mr and Mrs P's policy didn't cover matching items, so they'd only cover removal and replacement of the damaged areas. But additional material costs had been added to the restoration schedule. And in respect of the woodwork in the hall AA's surveyor maintained that this hadn't been damaged.

So I'm satisfied that AA considered the schedule of works prepared by Mr and Mrs P's loss assessor and made the amendments to the remedial work that their surveyor considered reasonable. And I'm not persuaded that a meeting at the property to reassess the damage as suggested by Mr and Mrs P's loss assessor was required.

As Mr and Mrs P had instructed a loss assessor and wished to use a contractor he recommended AA made an offer to settle the claim by making a cash in lieu payment. The policy terms and conditions say:

*"If we make a cash payment, we will only pay you what it would have cost us using our suppliers and therefore the amount you receive may be lower than the cost charged by your suppliers."*

This isn't an unusual term in buildings insurance policies, and we don't consider it unreasonable as insurers have preferential arrangements in place with suppliers to keep claim costs down. But we expect insurers to offer the use of its network suppliers, rather than forcing a cash settlement on the consumer.

AA have confirmed that they have a contractor willing to complete the remedial work to Mr and Mrs P's property so I don't think it's unreasonable to base their cash settlement offer on what it would cost their contractor to complete the works. And if during the works the contractor identified any further works that were required I'd expect these to be assessed by AA.

On the basis of the evidence currently available I'm not persuaded that AA have assessed the claim unreasonably or that their cash settlement offer is unfair. But if Mr and Mrs P provide further evidence such as their own surveyor's report I'd expect AA to consider this.

Mr and Mrs P's policy does cover alternative accommodation, but only if their home *"cannot be lived in."* The reason Mr and Mrs P have said alternative accommodation was required is because Mrs P had limited mobility following surgery and needed use of an ensuite bathroom.

AA considered this request but said that as their property had four bathrooms and the others weren't affected by the leak their property remained habitable. But they did say that if further evidence was provided to support the need for alternative accommodation they would consider this.

Mr and Mrs P have told us they accept that on the basis of the remedial work recommended by AA's surveyor alternative accommodation isn't required. But they've said that based on the works recommended by their loss assessor it would be.

I've said that I've not seen any persuasive evidence that further works are required beyond those recommended by AA's surveyor, so I don't think AA did anything wrong in not agreeing to provide alternative accommodation for Mr and Mrs P. But I'd expect them to review this decision if further evidence is provided, as they've said they will.

I've thought about everything Mr and Mrs P have said about AA's handling of their claim and how they've been impacted as a result. In claims of this nature there's always going to be a certain amount of disruption and inconvenience. In this case once they were notified of the claim AA arranged for a surveyor to visit Mr and Mrs P's property quickly. While they did initially decline the claim, they notified Mr and Mrs P that this shouldn't have been done three days later and made a cash settlement offer.

There were some delays in AA responding to correspondence from Mr P and Mrs P's loss assessor, but they've apologised for this and paid compensation for the delay.

AA's surveyor reviewed the schedule of works prepared by Mr and Mrs P's loss assessor and amendments were made to the schedule of works and the cash settlement offer was increased.

And while they didn't agree that alternative accommodation was required AA said they'd review this if further evidence was provided, which it hasn't been.

Overall, I'm satisfied that AA have dealt with Mr and Mrs P's claim fairly and in line with their policy terms and conditions. And that they've paid appropriate compensation for the delays in handling their claim, so I'm not asking them to do anything further.

### **My final decision**

For the reasons set out above my final decision is that I don't uphold Mr and Mrs P's complaint about AA Underwriting Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 21 February 2025.

Patricia O'Leary  
**Ombudsman**