

The complaint

Mr and Mrs N have complained about the way Admiral Insurance (Gibraltar) Limited handled a claim they made under their home insurance policy for subsidence.

Reference to Admiral includes its agents and representatives. And as Mr N has primarily dealt with things, I'll refer to him on behalf of Mr and Mrs N for ease of reading.

What happened

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

- Mr N got in touch with Admiral in September 2022 about crack damage to his property. Admiral arranged for a video survey of the damage soon after.
- Admiral accepted the damage had been caused by subsidence and was covered by the policy. It thought the subsidence had been caused by recently removed vegetation and that meant non-structural repairs would resolve the problem. It made an offer to settle the claim by cash payment.
- Mr N was concerned this wouldn't put the problem right. He took advice from N, a structural engineer. N said that whilst vegetation had been removed, underpinning was required to provide stability, together with crack repairs. Mr N shared the report with Admiral in March 2023.
- Admiral didn't agree underpinning was required and maintained its offer. But, after further discussion, in late May 2023, it agreed to consider the matter further by carrying out ground investigations.
- However, around a month later, no further steps had been taken. Admiral then told Mr N it may not proceed with the claim as he hadn't informed it about building work he'd been carrying out at the property. It asked for further information, which he provided, and Admiral agreed to proceed with the claim. But it said Mr N would have to pay an additional premium of nearly £1,000. It also increased the premium at the 2023 renewal. Mr N complained about the claim handling and premium increases.
- Admiral provided its response in August 2023. In summary, it said the ground investigation had been carried out in July 2023 and would be reviewed. It said it had followed the right claim procedures, but it conceded there had been delays and poor service at times and offered £375 compensation. It said the premium increase was correct, so it wouldn't be changed.
- Our investigator thought the complaint should be upheld. He asked Admiral to increase its compensation offer for poor claim handling to £800 and to pay for N's advice. It agreed to do both of these things. Mr N didn't consider this amount of compensation went far enough to put things right. Our investigator wasn't persuaded Admiral had acted fairly in relation to the premium increases. He asked Admiral to refund the near £1,000 additional premium charged. He initially asked Admiral to

reduce the 2023 premium but, after further information was received, he instead asked Admiral to pay further compensation due to the premium increase charged at the 2023 renewal. Admiral didn't respond on this point.

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.

- As our investigator has explained, the scope of this complaint is how the claim was handled, and the premium increases, up to and including the August 2023 complaint response. I know the claim has continued since then and more concerns have arisen. They will be considered separately, so I won't consider them here.
- Mr N has made many detailed submissions and it's clear he feels badly let down by Admiral. Whilst I recognise his strength of feeling and have read and considered all of his submissions, I won't be responding in similar detail or covering off each and every point he's made. This isn't meant as a discourtesy, it's simply a reflection of the informal nature of this Service. My role is to reach and explain an outcome that I consider to be fair and reasonable in all the circumstances. I'll focus on what I consider to be the key points when doing so.

Claim position

- The policy covers damage caused by subsidence. Admiral agreed that had happened in this case and accepted the claim. So that's not in dispute.
- Whilst Admiral initially made an offer to settle the claim by cash payment, it later agreed to consider the matter further by carrying out ground investigations. I'm satisfied it was reasonable for Admiral to carry out these investigations, as they would help to ensure the cause of subsidence is fully considered and put right – and a decision about the extent of repair and how to settle the claim fairly can be made.
- At the time of the complaint response in August 2023, the ground investigation had recently been carried out. Admiral said it would review the results and let Mr N know about the next steps for the claim. In principle, I'm satisfied that was a reasonable position at that time. Whilst N had recommended underpinning, I think Admiral was entitled to consider for itself whether that was necessary – and a ground investigation was the first step in doing so.

N's report

- Mr N paid to take advice from N about the subsidence problem. Admiral has agreed to reimburse the cost of that advice. As a result, I don't think this point is in dispute any longer and it doesn't need further comment or consideration, other than to say that Admiral is entitled to evidence of the cost before it makes payment, if it wishes.

Claim handling

- This is the main point of this complaint. Admiral is required to handle claims promptly and fairly. It conceded it didn't always fulfil that requirement and offered £375 compensation. Our investigator asked it to increase that to £800, and Admiral agreed to do so. Mr N doesn't consider that increased amount fairly reflects the distress and inconvenience he's suffered as a result of the way the claim has been handled.

- Mr N has suggested that the way Admiral handled the claim meant the policy wasn't fit for purpose, so he shouldn't have to pay for it. I disagree and will explain why.
- In a nutshell, the insurance policy is an agreement between Admiral and Mr N. In return for Mr N paying the premium, Admiral provides cover in certain circumstances. Admiral hasn't broken that agreement – on the contrary, it's accepted a claim. So I think it's right that Mr N pays for the policy to fulfil his part of the agreement. How much he should pay is a separate point, which I'll return to below.
- But, in principle, I'm satisfied Mr N should pay for the policy and it wouldn't be fair to require Admiral to refund premiums based on the way it handled the claim. I consider compensation is the fair way to put right any poor claim handling.
- All claims will necessarily cause a degree of distress and inconvenience. It's often distressing for homeowners to see their property damaged and live with that damage whilst the problem is put right. And it's usually inconvenient to accommodate various professionals visiting to carry out inspections, investigations, and repair work. All of that is an unwelcome but inevitable consequence of the damage and not something I can hold against an insurer.
- Where an insurer *unnecessarily or avoidably* adds to that inevitable distress and inconvenience, I can hold it responsible. I'll consider the impact on the policyholder and what an appropriate level of compensation would be in the circumstances.
- In this case, Admiral promptly arranged a video survey and made an offer to settle the claim. Whilst that approach may be appropriate and helpful in some situations, I don't think this was one of them. It meant the scale of damage, potential causes of it, and solutions for it, weren't fully considered. It wasn't until Mr N provided N's report and pressed for it to be properly considered, that Admiral accepted further investigations were required. And then there was a delay arranging them.
- This led to a significant avoidable claim delay of around eight months, up to the August 2023 complaint response. There were also times when Mr N had to chase for responses or claims progress, which he shouldn't have had to do.
- Mr N says he and Mrs N have suffered a sustained mental health impact. Whilst it's clear this would have been a frustrating and challenging time, I haven't seen any evidence to suggest the poor claims handling caused or significantly contributed to any mental health conditions they may have. I understand Mrs N has other health conditions which are worsened by stress and I've taken that into account.
- Mr N also says Admiral made defamatory accusations which had the potential for reputational damage and acted fraudulently or deceptively against him. I haven't seen anything to show Admiral acted in such ways. It was entitled to consider whether Mr N had provided relevant information about the building work. And it was also entitled to consider whether the premium should be increased in response to that and/or at the 2023 renewal. I don't think Admiral communicated inappropriately in relation to these matters. I'll consider the premium increases below.
- In these circumstances, I'm satisfied the total of £800 compensation Admiral has agreed to pay is fair and reasonable. It's entitled to deduct any compensation already paid and only pay the remainder.

Premiums

- In this section, I'll mainly use approximate figures for simplicity. Admiral has provided commercially sensitive information about its pricing guidelines. It wouldn't be appropriate for me to share that here, so I won't be able to be specific about some of the information and reasoning I give.
- At the 2022 renewal, prior to the claim, Mr N paid a £600 premium for the policy. At the 2023 renewal, after the claim, Admiral increased the premium to £2,700. It also charged an additional £1,000 premium, on the basis Mr N hadn't provided sufficient information about the building work he was doing.
- I'll start with the additional premium. Admiral charged it after it found out Mr N was carrying out building work. There may be circumstances in which that would give Admiral the right to charge an additional premium or have an impact on the claim settlement. But those circumstances are limited and there are specific steps Admiral would need to take in order to show it had acted in line with relevant laws and fairly and reasonably overall.
- Admiral simply hasn't shown it took those steps, so it hasn't persuaded me it had the right to charge the additional premium. And even if it did have the right, it hasn't shown why the additional premium is the correct or fair amount to charge. To put that right, Admiral should refund the additional premium of £947.84, plus interest.
- Turning to the 2023 renewal, it's clear the premium increased significantly. Initially Admiral didn't provide our investigator with sufficient information to explain the reason for the increase. More recently it's provided further information and I'm now satisfied the key drivers of the increase have been explained. In summary, Admiral has updated its general pricing guidelines *and* has factored in the subsidence claim.
- Each insurer is entitled to take its own view of risk and, based on that, what price to charge for providing insurance to a particular policyholder. Generally, insurers can take into account any information they wish when deciding how risky something is to insure – as long as they use accurate and relevant information, don't discriminate or single anybody out, and treat each policyholder fairly and reasonably overall.
- I'm satisfied Admiral has shown it used accurate and relevant information and treated Mr N according to its pricing guidelines, so he was treated the same way any other policyholder in similar circumstances would have been. However, I'm not satisfied he was treated fairly and reasonably. I'll explain why.
- In most cases, policyholders are free to move from one insurance provider to another if they wish. So, if they consider a premium increase is uncompetitive, they can choose to move and avoid losing out. However, with an open subsidence claim, Mr N would likely have found it very difficult, if not impossible, to move to another insurer at the 2023 renewal. In my view, he effectively had no option but to renew with Admiral. I think that was something Admiral ought to have taken into account when considering what premium to charge – in line with guidance about ensuring ongoing subsidence cover is accessible to policyholders with subsidence claims.
- Nonetheless, Admiral was entitled to increase the premium in line with its general pricing guidelines – and that includes taking into account the fact that Mr N had a subsidence claim. It's clear Admiral, like many insurers, considers a subsidence claim makes a property riskier to insure and its guidelines set out a premium increase

as a result. I don't think that's unfair or unreasonable in principle. However, a significant factor in the increase was linked to the estimated final claim value – but at the 2023 renewal, little of that had been spent. So the premium was increased, in part, based on what may later be spent – but hadn't at that time. I'm not satisfied that treated Mr N fairly, given he was effectively unable to move insurers, and bearing in mind the scale of the increase – over £2,000 or nearly 500%.

- It's not my role to set premiums for insurers, so I can't say what the 'right' premium to charge was. But I can require an insurer to pay compensation when it hasn't acted fairly and reasonably. With all this in mind, I consider the fair outcome is a pragmatic compromise between the two positions – whilst Admiral is entitled to increase the premium, and has done so in line with its general guidelines, it must be mindful that Mr N can't shop around and subsidence cover should remain accessible. Bearing in mind the approximate contribution of the claim value to the premium increase, and compensation for the shock and concern of such an unexpectedly significant increase, I consider Admiral should pay a further £1,000 compensation.

My final decision

I uphold this complaint.

I require Admiral Insurance (Gibraltar) Limited to:

- Reimburse the cost of N's advice, subject to evidence.
- Pay a total of £1,800 compensation.
- Refund £947.84 for the additional premium[^].
- [^]To that payment, add interest at 8% simple per annum, from the date the additional premium was paid to the date of settlement*.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N and Mrs N to accept or reject my decision before 30 December 2024.

James Neville
Ombudsman