

## **The complaint**

Mr and Mrs B complained that the settlement they have been offered for their claim by Aviva Insurance Limited ("Aviva") has not been fully explained and is unfair. Aviva are providing cover under a home insurance policy.

## **What happened**

Following a flood in January 2023, Mr and Mrs B made a claim for the damage caused to their home. Aviva and its representatives reviewed and progressed the claim, agreeing that it was covered by the policy.

However, Mr and Mrs B have experienced difficulties with agreeing the settlement. Mr and Mrs B thought they had a start date agreed for Aviva's own contractors to do the work. But to their surprise they were told that Aviva wanted to cash settle the claim. That's when the real difficulties started for Mr and Mrs B.

In Mr and Mrs B's opinion, the settlement offer made by Aviva wasn't sufficient for them to get the works arranged themselves. When they tried to analyse how Aviva had reached its settlement value, they found Aviva unhelpful, and the information provided was meaningless.

Mr and Mrs B raised issue with omissions in the scope of works, but Aviva were unwilling to act. When Mr and Mrs B queried how much Aviva had allowed for different aspects, Aviva was unwilling to share any information. Aviva were unwilling to advance any of the funds until Mr and Mrs B accepted the settlement.

As Mr and Mrs B didn't have enough money to complete the works and no money was advanced so they could start, they raised a complaint.

Aviva said it has endeavoured to help Mr and Mrs B. It explained its policy terms allow it to decide how to settle the claim, and it said it will only settle at the cost it would be for Aviva to arrange the works through its own private supplier network. Aviva said Mr and Mrs B hadn't completed work that was due under a separate claim and felt this claim duplicated part of a previous claim.

Our investigator decided to uphold the complaint. He didn't think Aviva had thoroughly reviewed the claim and he didn't think the cash settlement was fair. Aviva didn't respond, so the case has been referred to an ombudsman.

## **My provisional decision**

I issued a provisional decision on this on 16 September 2024. I said:

*"Our investigator reached a view on this complaint based on the information she had been provided. Unfortunately, Aviva hasn't responded to our investigator's view, which leaves me with little option to reach a similar conclusion as I haven't been provided with any new information or any further clarity on why Aviva has done what it has."*

*It seems that Aviva were going to do the works, but then changed its mind. It decided to offer a cash settlement. I don't think this is good practice. Aviva set the expectation it was going to do the works and then changed its mind part way through the claim. I think this will have caused unnecessary distress and inconvenience for Mr and Mrs B. Therefore, I intend to uphold this complaint.*

*Aviva said it would cap any settlement at the cost it would cost itself to have the work carried out. This isn't fair. Aviva due to its size have far more preferential trade rates with its supplier network which Mr and Mrs B don't have access to. Aviva didn't end up giving Mr and Mrs B the option of it doing the work itself. Therefore, it's only reasonable that Aviva pay the market rates that Mr and Mrs B have access to. Therefore, I intend to uphold this complaint, Aviva's settlement needs to cover the cost of Mr and Mrs B's own contractors doing the necessary work.*

*There is a disagreement over what it is included in the scope of works. Aviva has said some of the work isn't required and relates to a previous claim. However, from looking at the communication, Aviva haven't adequately engaged with Mr and Mrs B to resolve this. Therefore, there is some further work required to set out the scope of works, which takes account of the numerous points Mr and Mrs B has raised.*

*Finally, Mr and Mrs B have raised issues with the settlement in relation to alternative accommodation (AA). Given the amount of information provided, it's difficult to assess whether the £10,000 that has been paid is fair. So, further work is required to bring clarity to this point.*

*Mr and Mrs B have been paying two lots of council tax, for both their own property and the one they are living at temporarily. It's right Mr and Mrs B only pay one council tax bill (as that's what they would normally pay). So, if Mr and Mrs B can't get the council to refund one of the bills, Aviva should pay the additional costs (on evidence the council has rejected the request to waive one of the bills). I intend to uphold this aspect of the complaint. Mr and Mrs B would be expected to pay any utility costs, unless they can evidence there is double running costs for both properties.*

*Given the claim is at an impasse and I've upheld it. The only way I can see to move it forward is for Mr and Mrs B to commission an independent surveyor. I intend that the costs of this should be refunded by Aviva once receipts have been provided. The surveyor should develop a scope of works to repair the damage (the surveyor should speak with both Aviva and Mr and Mrs B to understand their perspectives before developing the scope). The scope developed by the surveyor shall be deemed as the scope used to settle this claim.*

*Mr and Mrs B should get at least two quotes from contractors to complete the work (or for each part of the work). Mr and Mrs B should provide these quotes to Aviva. Aviva should cash settle the claim for the lower of the two quotes for each part, until it has cash settled for the whole scope of works.*

*Mr and Mrs B should, once the surveyor has said how long the property will be uninhabitable for, provide evidence to Aviva if they continue to feel the £10,000 for AA isn't enough. I would expect the evidence to at least include examples of suitable properties, similar to their own, demonstrating how much it will cost to be in AA whilst their property is uninhabitable.*

*I don't think Aviva has done enough to resolve this claim. It hasn't settled the claim as I would've expected at the cost it will be to Mr and Mrs B to have the work completed. It has set false expectations. Therefore, for the length of time Mr and Mrs B have been waiting for*

*their claim to be finalised, I intend to award £600 compensation for distress and inconvenience. The claim has been ongoing a long time”.*

## **Responses to my provisional decision**

Aviva didn't respond to my provisional decision.

Mr and Mrs B didn't specifically accept my provisional decision, but they did pose some questions and clarified one point.

Mr and Mrs B said:

*“It is assumed that the costs of contractors providing quotes against the revised schedule of works will also be reimbursed given it will be known that the estimates are to allow for a Cash Settlement. Is that correct?”*

*As there will be an ongoing requirement for Aviva to engage with us, surveyors and contractors, will it be yourself that we can contact should they not comply with the final decision from the ombudsman? We are just a bit concerned given Aviva past refusal to engage with ourselves and the subsequent lack of response to your offices as well that we will end up having to raise another complaint.*

*We also wanted to clarify the Council Tax element of the response. We simply asked Aviva if they would pay any additional Council Tax if it was incurred, they said no. At this time, we have not incurred any additional Council Tax costs.*

*Regarding the cash settlement, would this include or exclude VAT please?”.*

## **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.

I wouldn't expect Mr and Mrs B to incur costs in getting a quote from contractors – it is unusual for contractors to charge for this. So, I wouldn't expect Aviva to cover any costs in respect to this. Contractors normally allow for this time as an overhead when they price work.

In respect to Aviva complying with this decision. I would expect them to comply, it would be unusual for it not to. However, if Aviva didn't comply Mr and Mrs B could get the decision enforced through a court of law.

Given the breakdown in relations, I'd expect Aviva to pay the cash settlement with VAT included to simplify the interaction between the parties. However, for Aviva to do this, Mr and Mrs B need to ensure their contractors provide quotes which carry a valid VAT number.

However, as neither party has provided any new information, I see no reason to change my decision. I have, however, clarified the point on VAT.

## **My final decision**

My final decision is that I uphold this complaint. I require Aviva Insurance Limited to:

- Reimburse the costs of Mr and Mrs B commissioning an independent surveyor to develop a scope of works following the damage.

- Cash settle to Mr and Mrs B the quoted contractors' costs (incl. VAT) for getting the scope of works completed (at the lower of two quotes). The quotes should include a valid VAT number.
- Reimburse additional council tax fees (if evidence is submitted showing the council won't refund these).
- Re-consider any evidence Mr and Mrs B put forward in relation to inadequate AA costs based on the surveyor's input. Settle any additional costs that are fair and do so, in line with the terms and conditions.
- Pay £600 compensation – for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 29 October 2024.

Pete Averill  
**Ombudsman**