

The complaint

Mr and Mrs W complain about AXA Insurance UK Plc's handling of their home insurance claim.

Mr and Mrs W are joint policyholders, but most of the communication regarding the claim and complaint has been from Mr W. So, I'll refer mainly to him in my decision.

AXA is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As AXA has accepted it is accountable for the actions of the agents, in my decision, any reference to AXA includes the actions of the agents.

What happened

In late 2020, Mr and Mrs W made a claim under their home insurance policy with AXA after an escape of water caused significant damage to their property and contents.

Mr W raised several concerns about AXA's handling of the claim, including a lack of progress and poor communication.

AXA issued a response to a complaint from Mr W in August 2023. It acknowledged its communication had been poor at times and delays had arisen. It awarded Mr W £1,500 compensation, which was in addition to £1,000 it had offered for his previous complaints.

Mr W remained unhappy and asked our service to consider his concerns.

Mr W wanted us to consider his complaints about the entirety of the claim, including a period of time he wasn't provided with alternative accommodation. However, our investigator didn't think we had the power to consider everything.

Mr W disagreed, so the complaint was moved to an ombudsman who concluded that we didn't have the power to consider issues dealt with in AXA's final response letters of February 2022 or January 2023.

Our investigator went on to consider the other issues Mr W had raised. He didn't think AXA had taken the costs for dehumidifiers into account in the settlement that it paid Mr W in late 2023. So, he recommended it pay him £1,652.40 for these costs. He also recommended AXA pay Mr W an additional £250 for distress and inconvenience.

The investigator thought that increases in the policy premiums since the claim was made were fair. So, he didn't recommend that AXA needed to do anything with respect to that part of Mr W's complaint.

Both parties disagreed with our investigator's outcome.

Mr W said he understood that the premiums had increased due to market/shareholder factors. But the condition of the property meant he wasn't able to pursue alternative suppliers which gave AXA an unfair advantage to charge indiscriminately.

Mr W said the settlement details our investigator had referred to in his view were correct. But he said he was coerced into accepting a lower offer than he'd been quoted by a builder on the threat of being forced out from the supplied alternative accommodation. He said they were faced with accepting a budget that would not sufficiently cover the required reinstatement works or pay for their own accommodation.

Mr W didn't think that the stress and turmoil he and Mrs W had experienced had been fully considered and provided some further comments about how they had been affected.

AXA said it had agreed to pay Mr and Mrs W £110,000 to settle the claim on the basis that it incorporated all of the aforementioned expenses including the dehumidifier costs. It said Mr W had signed the form of acceptance which it believed was unambiguous. AXA also commented that its negotiated and pragmatic settlement was made and paid within a reasonable timeframe. But it said it would agree to our investigator's recommendation to pay a further £250 if he still felt this was appropriate.

As Mr and Mrs W and AXA disagree with our investigator's outcome, the complaint has been passed to me to decide.

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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

An ombudsman has already issued a decision regarding our power to consider Mr W's complaints. The ombudsman concluded that we cannot consider the complaints that were addressed in AXA's final response letters of 7 February 2022 or 31 January 2023. So, I can't comment on matters which were dealt with in Mr W's previous complaints.

I've gone on to consider matters raised since then, including those which were addressed in AXA's final response letter of 24 August 2023.

I've considered everything Mr W has told our service, but I'll be keeping my findings to what I believe to be the crux of his complaint. I wish to reassure Mr W I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

Premium increase

Mr W says that due to the uninhabitable condition of the property he wasn't able to take advantage of favourable insurance offers. He says he had no choice but to maintain the policy with AXA and accept increases in premiums.

I understand the policy was provided to Mr W via a broker, who would be responsible for some of the costs charged. AXA has provided information showing that the net premium for the policy increased slightly in 2021, then decreased in 2022 and increased again by a small amount in 2023. AXA says the rise and fall of the premiums wasn't impacted by any claim delays.

It's been widely publicised that prices have gone up across the insurance industry in recent years. This is largely down to inflation and the increased costs of settling claims for insurers.

I appreciate that the uninhabitable state of the property meant Mr W didn't have the freedom to shop around and purchase insurance elsewhere. But I haven't seen any evidence to suggest that AXA took advantage of the situation or unfairly increased Mr W's premiums. Nor I have I seen any evidence to show Mr W lost out financially by being unable to switch to another insurance provider. So, I'm not persuaded that AXA needs to reimburse any part of the premiums Mr W has paid.

Claim settlement

Mr W says he was coerced into accepting a low settlement offer from AXA due to the threat of being forced out of alternative accommodation. He also says AXA didn't compensate him for electricity costs that he incurred while dehumidifiers were installed in the property, which amounted to £1,652.40.

AXA says Mr W agreed to a settlement offer of £110,000 in November 2023, which included the costs of running the dehumidifiers.

I can see that AXA made Mr W a cash settlement offer in mid-October as follows:

- £60,000 (including VAT) for the building repairs
- £20,000 for the contents claim
- Accommodation costs to the end of the year plus £10,000 to allow him to source a six-month let after the expiry of the current accommodation.
- £1,652.40 for electricity usage.

AXA said this would be in full and final settlement of the claim. But if this wasn't the way Mr W wanted to proceed there were two further options. It could look to offer a loss of market value settlement. Alternatively, a surveyor could be appointed to provide competitive quotes for the reinstatement works. This would involve a schedule of works being prepared and issued to contractors for pricing via a tender process which could then be used to form the basis of a settlement or Mr W could opt to reinstate with a winning contractor.

AXA said it understood Mr W was looking for a settlement of £120,000 but there appeared to be no substantiation to evidence that the claim was that high. It said that if Mr W could provide it with further detail to evidence how he felt the claim for reinstatement of the building and replacement of contents was at that figure it could revisit it further.

Mr W didn't accept this settlement offer. AXA made another offer in late October which was to increase the cash settlement to £100,000, with the onus on Mr W to vacate the current accommodation at the end of the year. It said this was based on estimated costs for the building of £60,000, contents of £20,000 and £20,000 for accommodation and associated bills. The second option was for Mr W to appoint a surveyor to act on his behalf who could draw up a specification of works which could go to tender. If Mr W chose the second option, the onus would be on him to vacate his current alternative accommodation and look for a rental property which would be picked up by AXA.

The next day, Mr W made a counter-offer for AXA to settle the claim by paying £110,000 on the following conditions:

"£60,000 (+VAT) building, £30,000 contents, £20,000 alternative accommodation/costs, assuming we will vacate the supplied, paid alternative accommodation by the year end. With this offer we reserve the right to raise a complaint over the handling of the case as a whole."

The same day AXA told Mr W it had agreed to pay Mr W a total of £110,000 and asked him to sign an acceptance form. AXA says it agreed the £110,000 on 1 November 2023 on the basis that it incorporated all of the aforementioned expenses (including those dehumidifier costs).

However, the loss adjuster's email of 1 November 2023 says:

"I have spoken to AXA and they have confirmed agreement of the payment at £110,000. They have asked you to sign the attached acceptance form, and they will process the payment. As per below, acceptance of the settlement does not to affect your right to make a complaint..."

The email said AXA would also extend the accommodation to the end of the year. But there was no mention of the dehumidifier costs in this email.

AXA has provided a copy of the settlement form signed by Mr W. This said he agreed to accept the sum of £110,000 in "*full and final settlement and discharge of all claims*" in respect of the escape of water claim which occurred in December 2020. It said it didn't affect Mr W's right to make any further complaint over the handling of the claim as a whole.

I appreciate Mr W may have felt pressured to accept AXA's offer. But as Mr W accepted the offer of £110,000 in full and final settlement of the claim, it wouldn't be appropriate for me to make a finding on whether or not this amount was sufficient.

However, I don't think it's clear from the correspondence that the £110,000 included the costs of running the dehumidifiers. I say this because in the email of 19 October 2023, where AXA presented its initial settlement offer to Mr W, the electricity usage cost was set out separately to the amounts for buildings, contents and alternative accommodation. AXA's subsequent offer of £100,000 was made up of an amount for building, contents and accommodation.

Mr W's counter offer of £110,000 was also comprised of amounts for building, contents and accommodation. He did mention "*dehumidifier electricity bill*", but this was further on in his email when he commented about significant expenditure in the course of the claim, saying "*none of which has been addressed*". So, I think it was reasonable for Mr W to conclude that the reimbursement of electricity costs wasn't included in the settlement offer he'd accepted.

As AXA had previously accepted that Mr W incurred these costs, I think it would be fair for it to pay Mr W £1,652.40 to reimburse him for this.

Distress and inconvenience

AXA has acknowledged some poor communication and avoidable delays in the progression of Mr and Mrs W's claim.

Mr W says he and Mrs W experienced stress and turmoil from AXA's poor handling of the claim. They found it difficult to lead a normal life while most of their belongings were in storage. Mr W says the uncertainty surrounding the claim and AXA's poor communication made managing their business difficult. It also put a strain on their relationship, while they were trying to support a close family member who was terminally ill. I appreciate Mr and Mrs W experienced a great deal of distress and inconvenience during the three-year period when their claim was ongoing. While I empathise with them, as explained, I can't consider matters that were dealt with in their previous complaints.

Our investigator recommended AXA increase the offer of compensation it had made in August 2023 to £1,750. This is in the range of what our service might typically award where

the impact of a business's mistakes caused substantial distress, upset and worry – where there may have been serious disruption to daily life over a sustained period, with the impact felt over many months. I think this reasonably recognises the impact of AXA's poor service and delays for the period I'm able to consider in this decision. So, I'm not minded to award compensation above the amount our investigator recommended.

In its final response letter of 24 August 2023, AXA said it had made a compensation payment of £1,500 to Mr W. It said it was sending a cheque for £2,500 which included £1,000 it had awarded for Mr W's previous complaints. Mr W has sent us a photograph of this cheque and told us he didn't bank it.

If the cheque expired without being cashed, then I'd expect AXA to issue another payment if it hasn't already done so.

Putting things right

AXA should pay Mr and Mrs W:

- £1,652.40 for electricity costs while the dehumidifiers were in use and
- £1,750 for distress and inconvenience (including the £1,500 it offered in its final response letter of 24 August 2023), if this has not already been paid.

My final decision

For the reasons I've explained, I uphold Mr and Mrs W's complaint and direct AXA Insurance UK Plc to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 6 January 2025.

Anne Muscroft
Ombudsman