

The complaint

Mr and Mrs P are unhappy with the settlement they've been offered by AA Underwriting Insurance Company Limited (AAUICL) following a storm damage claim made under their home insurance policy.

What happened

Mr and Mrs P have a home insurance policy underwritten by AAUICL. Whilst away from their home, they were notified that a flat roof on their property had lifted off during storm weather.

Mr and Mrs P contacted AAUICL and subsequently arranged for temporary repairs to be carried out. AAUICL also arranged for their surveyor to visit to carry out an inspection.

Following this, AAUICL made a cash settlement offer, but Mr and Mrs P were unhappy with this as they said it wasn't enough to complete repairs. Mr and Mrs P ultimately arranged for repairs to be carried out at a higher cost and asked for reimbursement of the costs they'd incurred. However, AAUICL offered a cash settlement lower than this.

AAUICL said Mr and Mrs P had gone ahead with repairs without authorisation or agreement and their contractor could have carried out repairs instead. AAUICL referred to the policy terms which outlined the maximum AAUICL would pay was what it would have cost them to carry out repairs and made a settlement offer which they say was in line with this. AAUICL also said part of the costs submitted for ridge works were betterment as this area of the roof was suffering wear and tear, so they didn't include this in the settlement offer amount.

As Mr and Mrs P remained unhappy, they approached the Financial Ombudsman Service.

One of our investigators looked into things but she didn't uphold the complaint. She said that as a temporary repair had been completed, there was no urgency for a permanent repair to be carried out and Mr and Mrs P had made an assumption the temporary repair wouldn't be sufficient.

The investigator also said that it was fair for AAUICL to settle the claim based on their costs, as Mr and Mrs P had proceeded with repairs without authorisation. And she said it was reasonable for AAUICL to exclude the ridge repairs as it showed signs of mortar erosion unrelated to the storm which had damaged the flat roof.

Mr and Mrs P didn't agree and asked for a final decision from an ombudsman.

I was minded to reach a different outcome to our investigator, so I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I’ve reached a different outcome to our investigator, so I’m issuing a provisional decision to give both parties an opportunity to comment on my initial findings before I reach my final decision.

The claim has already been accepted by AAUICL for storm damage, so I don’t need to decide whether an insured event has occurred as that isn’t in dispute. Instead, I need to decide whether the settlement offered by AAUICL is fair.

Mr and Mrs P arranged for a temporary repair to be carried out to their roof following the storm damage occurring. Mr and Mrs P were also concerned about the approaching weather conditions, and potential for further damage to be caused with only a temporary repair in place. And because Mr and Mrs P say AAUICL were unable to arrange for their own contractors to carry out repairs for a significant amount of time (several months), they went ahead with permanent repairs to mitigate further damage to their home. And this is what they want AAUICL to reimburse them the cost of.

AAUICL says that as a temporary repair was in place, there was no need for permanent repairs to be undertaken, and these were then carried out by Mr and Mrs P without agreement or authorisation. So, on this basis, and as AAUICL say their own contractors could have carried out repairs, they’ve offered a cash settlement in line with what they say it would have cost them, which they say is in line with the policy terms.

The policy terms and conditions do say:

*“How we will settle your claim
At our option we will:*

- repair or rebuild the damaged part using our suppliers; or*
- make a cash payment if you wish to use your own supplier.*

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.”

However, unless anything changes as a result of the responses to my provisional decision, I’ll be directing AAUICL to reimburse the costs Mr and Mrs P actually incurred in carrying out permanent repairs, rather than this being restricted to the amount AAUICL says it would have cost them. I’ll explain why.

Following temporary repair and AAUICL's surveyor's visit, Mr and Mrs P were offered a cash settlement of around £3,800 (before excess deduction). Mr and Mrs P didn't think this was sufficient and this was increased by AAUICL to around £4,600. But this was still less than the quote Mr and Mrs P had already had and provided to AAUICL for around £6,000 (for the external works alone), and the only other quotes they were able to obtain were significantly higher than that.

Mr and Mrs P took the decision to go ahead with their quote based on their circumstances, approaching weather conditions and concerns of further damage occurring. Ultimately, they incurred costs of £7,328.65 for the internal and external works, which is more than the final offer made by AAUICL totalling £5,589.37. I don't think Mr and Mrs P took unreasonable actions here in arranging permanent repairs and incurring higher costs than AAUICL's, and that's for several reasons.

I say this because it's important to note that the flat roof that lifted was Mr and Mrs P's son's bedroom roof. This left, beyond the ceiling covering internally, exposed beams, along with the top of the bricks and wall cavity exposed, with no insulation, in the middle of winter. And Mr and Mrs P's son was having to sleep in his sibling's bedroom due to the damage and condition of his own room. So, even without considering the approaching weather, I can see why it would be important for Mr and Mrs P to have permanent repairs completed in a timely manner.

In addition to this, Mr and Mrs P had concerns about the approaching weather conditions. And as they correctly recognised, there is an onus on them to mitigate damage to their home. I accept a temporary repair had been completed, but this was simply a plastic sheet placed over the exposed roof, with screws holding it in place in a small number of areas. So, I can see why Mr and Mrs P would have concerns about this if the weather was due to deteriorate as predicted, which it then did.

Having said that though, I also accept Mr and Mrs P did go ahead without agreement or authorisation before doing so. I also accept there is a term which says a cash settlement would be in line with what it would have cost AAUICL's own supplier if Mr and Mrs P chose to arrange their own repairs. But the fact here is that that it wasn't that Mr and Mrs P actually wanted to carry out their own repairs using their own tradesmen, or actively refused to allow AAUICL's to carry out a repair. Instead, there was limited availability of AAUICL's repair agents, which would have meant several months delays in a permanent repair being carried out. When asked by our investigator, AAUICL confirmed:

"The claim was reported on 21 December at which point the Policy Holder had already arranged a temporary repair. By 6 January the Policy Holder had provided his own quote. Due to high demand there were delays in arranging roofing repairs so the customer opted to use his own repairer - which is a right of his under the policy."

So, Mr and Mrs P either had to face a long wait for AAUICL's contractors or use their own contractor. So arguably the above policy term regarding cash settlements wouldn't be applicable here as they didn't wish to use their own supplier but felt they had no option but to. And Mr and Mrs P weren't able to arrange repairs for the cash settlement amount that AAUICL had already offered. So, they always would have had to pay in excess of that for the repairs, and then engage in a dispute with AAUICL about the settlement amount. So, they realistically had no option but to go ahead with repairs for a higher amount than AAUICL had offered to mitigate damage, and then try to recover those costs and dispute this later.

Given the lack of availability of AAUICL's repair agent, the impact the missing roof was having on Mr and Mrs P's family, the approaching weather, and the fact AAUICL offered less than the quotes Mr and Mrs P could have the work done for, I don't think they unreasonably went ahead with repairs without authorisation from AAUICL. On this same basis, I don't think it's fair or reasonable in all the circumstances of the case to restrict the settlement amount to that which it would have cost AAUICL, given that wasn't actually a realistic option here.

Therefore, unless anything changes as a result of the responses to my provisional decision, I'll be directing AAUICL to reimburse the costs Mr and Mrs P incurred in repairing the storm damage. 8% simple interest would also need to be added to the additional amount due from the date of the previous settlement offer to the date of payment of the remainder.

I also note that whilst the schedule of works completed by AAUICL are similar to that of Mr and Mrs P's (with differing costs), AAUICL has sought to exclude some of the works as betterment. This is because AAUICL has said the roof ridge was suffering from mortar deterioration, which isn't storm related.

However, I'm not minded to agree with this, and I don't think AAUICL has persuasively demonstrated this is the case. I say this because Mr and Mrs P's repair invoice outlines:

"All this work due to storm damage ripping the flat roof off including ridges"

And:

"Take damaged ridge off due to storm damage and fit back down with dry ridge system"

AAUICL has refused this on the basis of:

"Your request for the costs associated with the ridge tiles has been reviewed by our In-House Surveyor and declined due to the photographs showing the mortar deterioration which is inconsistent with damage caused by a storm."

However, the ridge which has been included in the invoice isn't featured in any of the photographs that have been provided. The edge of the roof is in the photographs, but that isn't part of the works on the invoice being claimed for. AAUICL has already recognised in their internal review that the ridge isn't in the images either, but then has gone on to decline this part of the claim based on the edge which is visible, and I don't think that's persuasive.

AAUICL's surveyor also didn't identify or outline any non-storm related issues following their visit:

"Any pre-existing or ongoing external buildings defects/issues that are not peril related? No"

Given Mr and Mrs P's contractor actually went onto the roof to inspect it, I find their conclusions that the ridge was damaged by the storm more persuasive than AAUICL's later conclusions which were based on a different area of the roof, and also taking into account their own visiting surveyor didn't identify any issues either. So, unless anything changes as a result of the responses to my provisional decision, I'll also be directing AAUICL to include the ridge repairs within the settlement.

In addition to directing AAUICL to reimburse Mr and Mrs P's repair costs with 8% simple interest added, it's clear that unfairly reducing the claim settlement has caused Mr and Mrs P distress and inconvenience. They had a claim which needed urgent resolution given their circumstances, which AAUICL initially offered an insufficient settlement amount for, and then refused, unfairly, any costs beyond what it would have cost them despite not being able to appoint a contractor in a reasonable timescale. So, unless anything changes as a result of the responses to my provisional decision, I'll also be directing AAUICL to pay Mr and Mrs P £200 compensation."

So, I was minded to uphold the complaint and to direct AAUICL to:

- Reimburse the costs Mr and Mrs P incurred in carrying out repairs
- To the additional settlement amount due, add 8% simple interest from the date of the previous settlement offer to date of payment of the remainder
- Pay Mr and Mrs P £200 compensation

The responses to my provisional decision

Neither AAUICL or Mr and Mrs P responded to the provisional decision by the deadline to do so. So, I'm now moving forward with my final 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.

And I've thought carefully about the provisional decision I reached. As neither party has provided anything in response to my provisional decision that would lead me to reach a different conclusion, my final decision remains the same as my provisional decision, and for the same reasons.

My final decision

It's my final decision that I uphold this complaint and direct AA Underwriting Insurance Company Limited to:

- Reimburse the costs Mr and Mrs P incurred in carrying out repairs
- To the additional settlement amount due, add 8% simple interest* from the date of the previous settlement offer to date of payment of the remainder
- Pay Mr and Mrs P £200 compensation

* If AA Underwriting Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs P how much it's taken off. It should also give Mr and Mrs P 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 P and Mrs P to accept or reject my decision before 30 January 2025.

Callum Milne
Ombudsman