

The complaint

Mr and Miss M complain about the way AXA Insurance UK Plc dealt with a claim Mr M made under their home insurance policy.

As the lead complainant is Mr M, I will refer to him in my decision on behalf of Mr M and Miss M.

What happened

In July 2023 Mr M reported an escape of water coming from their kitchen ceiling. He made a claim for damage to their kitchen and bathroom. Mr M first contacted AXA to claim under the Home Emergency part of his policy. Due to a risk of asbestos in the ceiling, tests needed to be carried out before access could happen to trace the leak.

Mr M arranged for a private plumber to attend in August 2023, following the negative outcome of the asbestos test. The plumber carried out repairs to a pipe below the bathroom subfloor.

AXA arranged for a Surveyor to attend and following their report, AXA said it would meet Mr and Mrs M's claim for kitchen damage, but not for damage to their bathroom. AXA offered a cash settlement of £552.78 for the kitchen repairs.

Mr M asked us to look at their complaint. One of our Investigators thought AXA's decision to decline repairs for the bathroom was reasonable. But she didn't think it reasonable for AXA to offer a cash settlement when it didn't give Mr M the option to have works carried out by one of their approved repairers. So she recommended AXA meet the costs set out under the invoice provided by Mr M for the repairs to their kitchen. This came to £1,137.60 including VAT.

Mr M accepted the Investigator's view. AXA didn't agree. It says the decision not to appoint contractors should have no bearing on its decision to provide indemnity. It says the invoice includes repairs to the pipe, which isn't covered, and damage to kitchen units which it hasn't agreed to cover.

So AXA wants an ombudsman 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.

Mr and Mrs M's policy with AXA includes Home Emergency cover which incorporates Trace and Access. This cover is also underwritten by AXA and is where Mr M was directed to when he first contacted AXA for assistance.

From the Surveyor's report, the cause of damage was from a leaking pipe below the bathroom floor, causing damage to the kitchen below. There isn't evidence, including from Mr M's plumber's report, to persuade me that the damage being claimed for in the bathroom – above the flooring – was caused by the leaking pipe.

So I'm satisfied with AXA's decision to decline the claim for damage to Mr and Mrs M's bathroom.

Mr M says the Surveyor's report refers to the bathroom ceiling, which he didn't intend to claim for. I agree and I think this is an error. I think the condition of the ceiling the Surveyor referred to may be the kitchen ceiling. I don't think it changes the outcome.

Under the policy wording, AXA says;

"We may repair, reinstate or replace the damaged property. If we cannot replace or repair the property we may pay you for the loss or damage in cash or cash alternative (including vouchers and/or store cards).

Where we can offer repair or replacement through a preferred supplier, but we agree to pay you a cash or cash alternative settlement, payment will not exceed the amount we would have paid the preferred supplier."

There are occasions when we might think relying on this policy term is unfair. For example, where the repairs will affect the structure of the building, or if the work requires a specialist contractor which the customer is unable to get done using a local contractor. And where an insurer chooses to settle a claim this way, we think the amount of cash paid should put the customer back in the position they were in before the loss or damage.

From reviewing the Surveyor's report and photos, along with the plumber's report and invoice, I don't think AXA's decision to offer a cash settlement in this case was unreasonable. But we don't think it is fair if a customer is left in a worse position financially as a result of a cash settlement.

The plumber's invoice includes repairs to kitchen units. Although AXA says it hasn't agreed to cover these costs, I think it's clear from the photos provided by the Surveyor that these costs are reasonable to claim for, in light of the damage to the kitchen units as a result of the leak.

AXA says the costs to repair the leaking pipe isn't covered under the policy. AXA's policy covers damage to the item (the pipe) as a result of the insured event. It's not clear from the Surveyor's report if the pipe was damaged as a result of the escape of water. He reported that the boxing around the pipe was damaged. It isn't broken down under the plumber's report from the total cost to replace the leaking pipe. But taking everything into account in this case, I think a fair outcome is for AXA to meet the costs of the invoice in full.

My final decision

My final decision is that I uphold this complaint. I require AXA Insurance UK Plc to meet the costs of the invoice provided by Mr M under his claim dated 12 February 2024, subject to reasonable proof of payment.

AXA can deduct the excess payable if it hasn't already done so from any cash settlement made.

AXA Insurance UK Plc should pay interest on the reimbursed amount (or difference to any paid settlement) at a rate of 8% simple interest a year from the date Mr M paid the invoice to the date of reimbursement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Miss M to accept or reject my decision before 12 March 2025.

Geraldine Newbold
Ombudsman