

The complaint

Mr A is unhappy with the settlement amount from AXA Insurance UK Plc following making an impact damage claim on his property insurance policy.

What happened

On 7 August 2021, Mr A's property suffered impact damage from a third-party vehicle. Mr A contacted AXA to make a claim and policy liability was confirmed on 7 September 2021.

Mr A appointed building surveyors (S) and then builders to complete the repairs.

Mr A wanted to carry out additional works which were not covered under the policy. AXA agreed to this.

Prior to the accident Mr A had been intending to let the property out so AXA paid Mr A for 12 nights in a hotel from when he initially reported the claim and loss of rent from 1 September 2021 to 15 April 2023. On 5 May 2023, an electrical certificate was issued. On 31 May 2023, practical completion was issued by S.

Mr A reports that the property continues to have problems with the electrics. He is also unhappy with the length of time AXA agreed to cover for loss of rent. Mr A said the property remained uncleaned and uncarpeted until well after May 2023 and repairs had to be completed to the heating. Mr A said the Homes (Fitness for Human Habitation) Act states the need for adequate heating and electricity.

The investigator didn't recommend that AXA pay for the electrical works because the works were not the result of the impact damage. He thought AXA should pay for the loss of rent until the practical completion date of 31 May 2023 (AXA having only agreed to pay for loss of rent up to 15 April 2023). He also thought that AXA should apply 8% simple interest until the date of payment.

AXA did not accept the investigator's view. It says Mr A requested to undertake private works in parallel to insured repairs and AXA accommodated this. The loss adjuster confirmed that loss of rent has been paid for the period the property would have been uninhabitable as a result of the insured peril (had the insurer been allowed to repair in the absence of uninsured works) as the policy required it to. Any loss of rent paid beyond what has been provided would be a result of the private works and would be outside the terms of policy coverage.

Mr A also wanted to make it clear that prior to the accident all the electrics in the property worked perfectly. And the electrics are still not working properly.

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 can understand Mr A's frustration about what has happened. He feels he has missed out on rent and that he has a property which had previously fully working electrics and now has persistent problems with its electrics.

The works undertaken to the property after the damage, however, were not just repairs covered under the insurance. They included, for example, the rethatching of the entire roof. They also included electrical works which were not covered under the insurance such as work relating to a cable. The only electrical work covered by the insurance was the full testing of the electrics.

When additional works are carried out there is always a risk that these works will cause delays to the overall project or will not be completed to a satisfactory standard. And if this happens, that it will be difficult to calculate what would have happened if the additional works hadn't occurred.

I do not think I can fairly hold AXA responsible for continuing problems with the electrics. As Mr A was intending to let the property out I asked him if he had had the electrics recently tested. He has provided me with a certificate from early 2017. Under the relevant regulations this certificate was still valid (properties need to be inspected every five years) but it is not a particularly recent inspection. In addition, the electrician who carried out the initial work reported to the insurer that some of the cabling never worked and when he went into the loft he found an old light to be 2 core and the original switch to be 3 core. I do not therefore have the confidence that Mr A has that there was nothing wrong with electrics prior to the accident. And I think Mr A needs to take up any concerns he has with the electrics with the electrician he employed to carry out work beyond that covered in the insurance. The fact that he used the same electrician that the insurer also used does not persuade me that AXA has responsibility here.

Under the terms of the policy AXA covered rent Mr A would have received while the property cannot be lived in because of damage that was insured. AXA does not agree it should pay up to the date of practical completion. I can understand its point that this does seem somewhat of an arbitrary date. It has suggested that if the property couldn't be let it was because of the additional works Mr A had done. Mr A has provided me with photos of the property and a list of the works he had carried out. On the basis of what I have seen I cannot see that his works were the cause of the delay, the main delay seeming to be timing of the lime render (which was covered under the claim).

Mr A on the other hand thinks the property wasn't able to be let out even as late as July 2023. From the pictures it looks like the limit on renting the property out after the end of May 2023 relates to a lack of carpet and rubbish at the property.

I do not think that the lack of carpet or the rubbish meant that the property, in the words of the policy, couldn't *be lived in* even if Mr A doesn't think he could have let it. I also agree with the investigator that up to 31 May 2023 was a reasonable amount of time for the carpet, heating and removal of rubbish to be completed and that AXA cannot be expected to cover the loss of rent indefinitely.

On balance, and looking at the evidence provided by the parties, I think covering loss of rent up to 31 May 2023 seems like a fair and reasonable solution.

In addition, I agree with the investigator that it would be fair for AXA to pay 8% simple interest until the date of payment on the loss of rent.

Putting things right

So, to put things right I think AXA should cover the loss of rent up to 31 May 2023 and it should pay 8% simple interest on that sum for the period from 31 May 2023 until the date of payment.

My final decision

I uphold this complaint and order that AXA Insurance UK Plc should cover Mr A's loss of rent up to 31 May 2023. It should also pay Mr A 8% simple interest to reimburse Mr A for the delay in him receiving the loss of rent money, the interest should be calculated for the period running from 31 May 2023 until the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 April 2025.

Nicola Wood
Ombudsman