Financial Ombudsman Service

The complaint

Ms J is unhappy with the payment Aviva Insurance Limited ("Aviva") offered to cover the cost of her premium increase following a mistake handling her home emergency claim.

Ms J had a plumbing and drainage plan, underwritten by Aviva, to provide emergency cover for her home.

What happened

The background to this complaint is well-known to both parties, so I've summarised what I think are the key events.

Ms J made a claim under her home emergency insurance following an escape of water. Aviva handled the claim but, in error, told Ms J asbestos would need to be removed from her home first. Because the cost of this removal exceeded her home emergency policy limit, she agreed to claim under her buildings insurance.

Aviva's mistake regarding the asbestos caused Ms J financial loss in respect of her buildings insurance. Ms J said redress was agreed for the inconvenience and excesses she paid, but there are two issues upon which she and Aviva are not agreed. It's these two issues of complaint that Ms J brought to our service, as follows:

- Aviva offered a blanket £200 to cover the increased insurance premium. Ms J said the increase over five years would be £350 and, on request, she provided Aviva with proof to demonstrate the increase would be greater than its £200 standard offer over five years with the possibility of a further increase should she need to make a claim. Despite this, Aviva maintained its £200 offer. Ms J would like Aviva to pay an additional £150.

- Ms J rents rooms with use of a private bathroom under the rent-a-room scheme. Because of the damage, Ms J had to share the bathroom, and she was unable to take in a new lodger for one of the rooms. Therefore, Ms J would like Aviva to pay the loss of income she suffered for the avoidable delays in repair. She calculated the loss as £1,320 for the 10-week period from 12 April to 18 July 2023.

Aviva issued its final responses to Ms J's complaint, dated 29 August and 10 September 2024. In its responses, Aviva said Ms J would need to provide evidence of her insurance premium increase, and that the increase was due solely to the mistake made, before it would consider increasing its offer.

In respect of Ms J's rental loss, Aviva said the policy didn't provide cover for loss of income from a residential property, so it didn't agree to her request for £1,320 for lost rent.

Ms J said the impact was also on her no claims discount, and she felt her evidence of rental loss was sufficient to demonstrate a loss for which she should be compensated. So, Ms J brought her complaint to this service.

Our investigator didn't uphold Ms J's complaint. She said that while Aviva had made a mistake, Ms J hadn't provided the evidence it required to demonstrate that an increase in payment for losses was warranted. Our investigator said it was up to Aviva to decide what evidence it needed to substantiate any losses that might reasonably be paid, and she thought it had fairly assessed the evidence Ms J provided. Our investigator thought Aviva had paid fair compensation for the overall mistake.

Ms J didn't agree. She said Aviva's mistake caused her immense stress and a huge loss of income from a second lodger. Ms J said she'd provided evidence of her increased premium as Aviva requested, yet it didn't offer any more. Unhappy with the investigator's view, Ms J asked for 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.

Having done so, I've decided not to uphold Ms J's complaint for broadly the same reasons as our investigator. I'll explain.

The Financial Conduct Authority (FCA) sets out the rules under which insurers must operate. In the Insurance: Code of Business Sourcebook, the regulator's rules say that insurers must handle claims promptly and fairly. The FCA's principles say that firms must act in the best interests of their customers and treat them fairly. So, in deciding Ms J's complaint, I've had regard for these rules along with the evidence provided, the balance of probability, and what I consider fair and reasonable in the overall circumstances.

Increased home insurance premium

Ms J is unhappy that despite providing the evidence Aviva asked for to demonstrate her increased premium, caused by its mistake regarding the asbestos, Aviva hasn't amended its offer to cover the increase.

I've looked at the evidence Ms J provided. She asked her home insurer to confirm what she'd said, and it responded with the following:

> *Further to your earlier call this is to confirm that due to the claim that you have had to make this has affected the No Claims Discount applied to your policy and reduced it by 2 years. The premium that would have been applicable at renewal without a claim is £423.27, you have paid a premium of £476.96 which is an increase of £53.69 and as discussed will now impact your Household insurance for the next 5 years.*

I agree with Ms J that this is clear confirmation that her premium increased. However, it's not confirmation that the total increase will be 5 x £53.69, or £350, or £1,000, each of which she has suggested to Aviva. The insurer told Ms J that her renewal premium will increase by £53.69, so it's fair to say Aviva caused that. But the insurer only said the claim will ***impact*** her household insurance for the next five years. I'm not persuaded that it means there's a guaranteed increase of £53.69 for five years, or that the impact referred to is necessarily financial.

I note that Ms J chose to renew with the same insurer because her claim was ongoing. While it's not necessary to do so, I can understand that she may have considered that a safe option. However, I'm not aware that there's any requirement for Ms J to remain with that same insurer for the next five years, so any increase it applied is entirely down to its assessment of risk. Other insurers may not apply the same risk weighting, so the premium may not be affected in the same way.

Based on the evidence, I don't think Aviva has treated Ms J unfairly by seeking confirmation of the premium increase above the £200 it offered, or by declining her request for an additional payment.

Loss of rental income

I understand Ms J wants Aviva to pay £1,320 to cover the loss of income which relates directly to the period during which the repairs ought to have been completed. That is, she's seeking compensation for the period of avoidable delays.

Ms J has explained why she's only able to provide limited information regarding the rental loss. She operates under the rent-a-room scheme, which doesn't require the same formalities as those of a landlord and tenant. Ms J hasn't provided evidence to show that the room was guaranteed to be occupied. Given the nature of the rental, I think it's unlikely that's something she'd be in a position to provide. I have no reason to doubt that Ms J missed out on rental income, but I can't reasonably ask Aviva to pay for a loss that she can't evidence.

I'm sorry to hear about the circumstances of Ms J's claim and the mistake Aviva made which, unfortunately, caused her inconvenience and potentially a loss of income. I note that Aviva paid Ms J £1,000 in recognition of the mistake regarding the asbestos; the inconvenience it caused; its poor communication, and the premium increase. In addition, it reimbursed £500, which was the excess on her buildings insurance. Based on the evidence available to me, I'm satisfied that Aviva's payment is fair and reasonable in the circumstances. I see no reason to ask Aviva to pay more.

Given that Aviva asked Ms J for evidence of her losses, if she is in a position to provide further, clear evidence, there's no reason why Ms J shouldn't present that evidence to Aviva for consideration.

My final decision

For the reasons I've given, my final decision is that I don't uphold Ms J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 6 August 2025.

Debra Vaughan
Ombudsman