

The complaint

Mr M complains about AXA Insurance UK Plc's ('AXA') handling of a claim made on his home insurance policy after his home was destroyed in a fire.

References to AXA include its agents.

What happened

The events of this claim will be well known to both parties, so I will only briefly summarise what happened here.

In July 2022 Mr M's home was destroyed by a fire which started in an adjoining property. So, he contacted AXA to make a claim.

Mr M moved into alternative accommodation, which AXA covered. AXA then assessed the rebuild cost of the property, but after doing so it said the rebuild cost would exceed the sum insured on the policy, so it proposed to make a deduction from the claim settlement in the belief that Mr M was underinsured.

Mr M challenged this, and AXA carried out a reassessment. Following this, in September 2022 it revised the value at risk amount on the basis it had made an error in its original calculation of the property dimensions. Around the same time this was happening, Mr M was in the process of applying to have the property de-listed from its graded building status.

In the months which followed, AXA carried out strip out works, Mr M reapplied to have the property delisted in February 2023 and was granted this in June 2023, planning permission for the rebuild was applied for in August 2023 and granted in November 2023, and the scope of works was agreed to in March 2024 with a tender process commencing after this.

After the tender process, AXA decided to cash settle the claim and offered Mr M a settlement in June 2024 with this being accepted and paid in July 2024.

Mr M complained that AXA had previously told him there would be no limit to the alternative accommodation, but then imposed a limit of 24 months on this, that it had delayed the claim, causing the alternative accommodation allowance to be unnecessarily used, and that it had caused distress by saying he was underinsured and that it would settle his claim proportionally.

In its final responses to these complaints, AXA acknowledged there were some delays on the claim and agreed to extend the alternative accommodation allowance by two months. But it said it couldn't find evidence Mr M had been informed the alternative accommodation would be extended indefinitely. And, while it acknowledged the difficulty present in a consumer providing a rebuild value, it said it was still a consumers responsibility to provide this and that the cost would include professional fees involved in rebuilding a home.

Mr M was dissatisfied with this, so he brought his complaint to us. Our investigator thought AXA had acted unfairly by mismanaging Mr M's expectations about the alternative accommodation limits and not replying to some queries Mr M had sent. In addition, the investigator thought AXA had caused Mr M distress by wrongly determining his property underinsured. The investigator recommended AXA pay Mr M £200 compensation for the distress and inconvenience caused by this.

However, the investigator didn't think that AXA had avoidably caused any delays beyond what it had already reasonably accounted for in the two months additional alternative accommodation it agreed to pay.

AXA agreed with the investigator's recommendation. But Mr M did not. He said AXA had dealt with the claim slowly causing most of his alternative accommodation allowance to be used up before the claim was cash settled which would now leave him with significant costs to pay to live elsewhere while his home is being rebuilt.

I issued a provisional decision upholding the complaint in part, and I said:

"I'll begin by expressing my sympathy to Mr M for what undoubtedly was a devastating loss and for what I appreciate will have been an immensely challenging few years following this.

I should say that while I've read and considered everything Mr M and AXA have provided, I won't be commenting on every point made. I'll instead concentrate on what I consider are the key points I need to think about for me to reach a fair and reasonable decision. This isn't meant as a discourtesy to either party, but instead reflects the informal nature of this Service.

I've firstly considered if AXA misinformed Mr M there would be no time limit applied to his entitlement for alternative accommodation.

I've looked at Mr M's policy documents. The policy documents say Mr M is covered for alternative accommodation up to 24 months.

So, I'm satisfied the policy documents show there was a cap of 24 months on how long AXA would provide the alternative accommodation. But Mr M says he was told by AXA on 28 November 2023 that there wouldn't be any limit on how long it would provide him with alternative accommodation.

AXA said it couldn't find evidence showing Mr M was told this. I can see AXA enquired with its loss adjuster, but the loss adjuster said he had no recollection of having this conversation on 28 November 2023, and no phone notes to this effect either.

Ultimately, Mr M's policy documents showed that his alternative accommodation cover wasn't unlimited and was capped at 24 months. So, if Mr M was informed there was no limit, it would have been a mistake. And I would not find it reasonable for AXA to be bound to cover the alternative accommodation without any time limit because of a mistake it made. Instead, the fair and reasonable remedy I would find would be for AXA to compensate Mr M for the distress and inconvenience caused by causing a loss of expectation from its error.

While I acknowledge Mr M's comments, the loss adjuster didn't recall informing Mr M there would be no limit to the alternative accommodation. And other than Mr M's comments, I haven't seen anything more showing he was told this. So, on balance, I don't find there's enough evidence for me to agree AXA treated Mr M unfairly by causing him to think there wouldn't be a limit to his alternative accommodation.

However, I agree with the investigator that Mr M's expectations could have been managed more effectively given that he had to chase for clarity several times on the alternative accommodation question without receiving a response until later. So, I think that caused him some distress and inconvenience.

Given that the alternative accommodation benefit was capped at 24 months, that could result in situations where the entitlement ends but the insured still has a need to live in alternative accommodation. In such circumstances, the insured would then need to fund their own alternative accommodation.

All insurance claims are different and can take a different length of time to resolve depending on various factors. So, it doesn't automatically mean that AXA has acted unfairly if the alternative accommodation limit is reached, but the insured still needs to live in alternative accommodation.

However, it would be unfair if AXA caused a customer to incur a material financial loss by avoidably delaying a claim resulting in the customer having to personally fund more alternative accommodation than otherwise would likely have been necessary had the delay not happened. So, I've considered if that happened here.

AXA agreed that it had caused about two months of avoidable delays on this claim and so it agreed to cover Mr M for two additional months of alternative accommodation. But Mr M says he believes the delays were more extensive than this, and that he's being penalised because the claim involved two other properties which were affected.

Given the scale of the damage, two other properties being involved, and the property being Grade II listed, I find it likely that it always would have taken a long time for this claim to be settled. Not only did Mr M's property need demolished and cleared after the fire, but to rebuild it planning permission and de-listing was required. So, there were elements to the claim which, while I would expect AXA to pursue them proactively, weren't within AXA's direct control.

Having reviewed the evidence provided by Mr M and AXA, on balance, I think the duration of the claim was mainly due to the complexity of the claim, the severity of the damage, and external factors such as the property needing to be de-listed, rather than due to avoidable delays caused by AXA, or inactivity on its part.

I acknowledge Mr M says he was penalised because two other properties were involved in the claim. I don't think it was unusual for AXA to deal with the claim collectively. The three properties were adjoining, all affected by the same incident and shared structural elements. So, I think there were practical and cost considerations for dealing with the claim this way. But I've considered if this caused any unfair delays to Mr M.

AXA said it took four months for the scope of works to be finalised and agreed after planning approval and that given the cost of works across the three properties it considered it prudent to check the scopes were complete, accurate and the most appropriate repair methods.

AXA has set out what happened during this time saying that it received the scope of works from the engineer on 5 January 2024, requested a site visit on 6 February 2024, carried out the site visit on 16 February 2024, and approved amendments to the scope on 13 March 2024. I don't think it was unreasonable for AXA to carry out this review, given it resulted in amendments to the scope of works. Broadly, I think the timescale taken was reasonable, except the delay between the scope of works being received and the site visit being requested.

AXA acknowledged this delay though, and said it thought it amounted to roughly a two-week delay. But it considers that covered within the additional two months alternative accommodation it paid for. And I think that's reasonable. So, taking this, and the claim timeline as a whole into consideration, I don't find there to have been avoidable delays beyond what was reasonably accounted for within the additional two months of alternative accommodation AXA agreed to pay. So, I think this was a fair and reasonable response to this aspect of the complaint.

I've lastly considered the settlement on the claim. On 14 September 2022, AXA wrote to Mr M to say it has assessed that his property was underinsured and because of this it would make an 18% deduction to his claim. Following this, it wrote to him again on 28 September 2022 to confirm it had made an error in calculating the property's value at risk and it had revised this down. As a result of this, AXA ultimately didn't consider the property to be underinsured, so it didn't make any deductions from the claim because of this.

However, Mr M says that he was first informed by phone in July 2022 of the incorrect higher value at risk amount and this caused him several months of worry about the impact this might have on his claim until he was told in the letter of 14 September 2022 the claim would be settled proportionally due to him being underinsured.

AXA said that it wasn't its fault the property was underinsured and that this was an error on Mr M's part. But the surveyor's letter of 28 September 2022 said that the value at risk calculation had previously been mis-calculated and after reattending on 26 September 2022 the surveyor found that they had made an error in their original calculations of the property dimensions and as a result of this reduced the value at risk calculation.

So, the evidence here shows Mr M wasn't underinsured, it was only thought that he was underinsured due to the surveyor incorrectly calculating the value at risk based on inaccurate property dimensions. As such, I don't think Mr M was treated fairly because the error was on AXA's part and resulted in Mr M being left for several months worrying that he was underinsured and what the impact of this may be. I think this caused Mr M a lot of distress given that he had lost his home and would have known that the claim cost would be high, and consequently any underinsurance could present a significant financial risk to him. So, I find that some compensation is warranted for this.

I've considered what would be fair and reasonable to put things right. I think in addition to it covering the additional two months of alternative accommodation, for the distress and inconvenience caused by the underinsurance issue, and the lack of a prompt response to Mr M's queries about the alternative accommodation allowance, a total of £350 compensation would be fair, reasonable and in line with our award levels."

AXA didn't provide any reply. Mr M replied with some additional comments, and in summary he said:

- The error made by AXA in miscalculating the value at risk caused him a great deal of worry and stress due to the potential deduction it may have led to on the claim.
- There were some delays caused by the loss adjuster being away on holiday on two occasions.
- AXA should have treated each customer as individuals and not bundle it all together to mitigate its costs.

- If the loss adjuster didn't say there was no limit on alternative accommodation, why didn't he just inform him of that during his written enquiries seeking confirmation.

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 thank Mr M for his response to my provisional decision and have read his comments carefully. Having done so, I appreciate Mr M may be disappointed, but I've reached the same conclusion as I did in my provisional decision, and for the same reasons.

I don't dispute how difficult the past three years will have been for Mr M and again express my sympathy to him and his family. While I can't reasonably hold AXA at fault for the loss itself or the inevitable disruption which would have resulted from it, I have considered if it handled the claim in a fair and reasonable way.

I found in my provisional decision that AXA had in part acted unfairly because it caused some delays and Mr M's query about the alternative accommodation coverage wasn't responded to promptly, in addition to distress and inconvenience being caused by AXA miscalculating the property being underinsured. Although I was satisfied it was reasonable for AXA to cover two additional months alternative accommodation – because I did not think in total there likely were avoidable delays that surpassed two months – I found compensation was warranted for the underinsurance issue and lack of a prompt response to the alternative accommodation queries.

Because I have already found compensation was warranted for the underinsurance issue, and AXA haven't provided me with anything more to think about, I don't think I need to comment any further on this point.

I would like to assure Mr M that I have carefully considered the timeline of events on his claim and the relevant evidence surrounding this. But on balance, I still don't think there were avoidable delays exceeding two months. I think much of the overall length of time the claim took wasn't due to inactivity on the part of AXA, but rather due to the complexity of the claim and severity of the loss, in addition to some aspects such as planning permission and delisting being outside of AXA's direct control.

I acknowledge Mr M thinks that AXA should have handled his claim separately, rather than considering it alongside the other two damaged properties it insured. But I think there were reasonable practical, logistical and cost reasons why AXA handled the claim the way it did. And even if AXA hadn't insured all three properties, I think it is unlikely Mr M's loss could have been handled in complete isolation without any coordination with the adjoining properties. And while there were other properties involved, I think the evidence including the communications I've seen show that AXA did engage personally with Mr M and consider the specific circumstances of his loss.

I've also considered Mr M's comment about the loss adjuster not responding to his query about the alternative accommodation. But I don't think there's any substantive new information here that would lead me to revise my finding that on balance there wasn't enough evidence to show the loss adjuster had informed Mr M the alternative accommodation was uncapped. While I still think it was unfair Mr M's query wasn't responded to promptly, and that caused him distress and inconvenience, I don't interpret it to show the loss adjuster had misinformed Mr M there would be no limit.

I sympathise Mr M has incurred considerable expense in funding additional alternative accommodation himself after reaching the policy limit for cover. But, except for the two months of avoidable delays I think AXA caused, I find this to primarily be the unfortunate consequence of the policy having a set limit on the duration of cover for alternative accommodation, and the claim itself being a complex and large loss, rather than due to AXA acting unfairly.

So, given that AXA hasn't provided me with anything more to think about and having considered Mr M's comments I've reached the same conclusion as I did in my provisional decision, I've decided to uphold this complaint in part for the reasons I've set out here and in my provisional decision, and to maintain the same redress I set out in my provisional decision.

Putting things right

I require AXA to do the following:

If it has not already done so, pay Mr M two additional months of alternative accommodation and add simple interest to this amount at a rate of eight percent per year calculated from the date the alternative accommodation was paid to the date of settlement.

Pay Mr M £350 compensation for the distress and inconvenience caused by its handling of the claim.

If AXA considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint in part, and I require AXA Insurance UK Plc to carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 August 2025.

Daniel Tinkler
Ombudsman