

The complaint

Ms C complains that AXA Insurance UK Plc ('AXA') intends to reduce the amount they will pay for a claim she made on her home insurance policy.

What happened

Ms C originally took out a home insurance policy underwritten by AXA in July 2021. The policy subsequently renewed in July 2022. In March 2023, Ms C raised a claim following a fire at her property.

AXA considered the claim but said the rebuild value Ms C gave at inception wasn't in line with the potential rebuild cost and that a careless misrepresentation had been made. In response, Ms C said that she had used that figure as the property had been built for that cost in 2018. When AXA didn't change their stance, Ms C raised a complaint with AXA.

AXA considered the complaint and upheld it in part. They maintained that the rebuild cost for the property was larger than the sum declared when the policy was taken out, so they felt the policy's 'average' clause would apply. AXA also said Ms C had refused them a reasonable opportunity to validate the claim with a further visit and this had prejudiced their position. But they did partially uphold the complaint in relation to their failure to properly manage Ms C's expectations and awarded £300 compensation. Ms C remained unhappy, so she brought the complaint to this Service.

I issued a provisional decision of the complaint and said the following:

"I recognise that this complaint has been made difficult given its unique circumstances. AXA have outlined that they feel the rebuild value is incorrect but haven't been able to provide any of the additional information I would usually need to see in order to fully apply this Service's approach to underinsurance. This is due in part to Ms C not allowing them back into the property. That means, aside from the estimate AXA refer to, no other work has been done to establish a likely rebuild value.

AXA have clarified that as they are unsure of what the true rebuild value is, they were not suggesting that Ms C should have given a sum insured of £900,000. They say they can't know the value as Ms C has not allowed them back to the property. But they say it's clear that the property would never cost £335,000 to completely rebuild – so they maintain that an incorrect rebuild figure was used at inception in 2021 - and this wasn't corrected at renewal.

As a starting point, I should explain I won't be making an extended finding on the comparison site journey as part of this decision. AXA have shown the details entered during that journey were not the same details that matched Ms C's property, and therefore the BCIS value they provided was incorrect. But as these details weren't carried over to the broker's website, and the policy that was ultimately taken out did use the correct property details, I'll be focusing on the broker website journey and the information it gave when deciding this complaint.

As I explained in my previous findings, this Service does not consider a statement of opinion to be something CIDRA covers, as it's not a statement of fact. But we do think the principles that govern CIDRA are a fair way to consider these types of complaints. For the sake of clarity, I will refer to the terminology used in CIDRA for the remainder of this decision. So, when I refer to a "misrepresentation" I mean the answer Ms C gave being within a reasonable range or not.

Ordinarily, an underinsurance complaint would be approached by comparing the figure a customer gave against the figure it should have been. If this figure was wrong, and a misrepresentation occurred, we would then look at whether the misrepresentation was qualifying – in that the insurer would have done something differently had they been provided with the "correct" information at that time. Additionally, when considering whether a consumer has made a misrepresentation, I would ordinarily need to first decide whether any questions asked during the sales process were clear.

The relevant policy the claim was made under is the 2022 renewal – because each new policy of insurance is a new contract. But CIDRA says a statement given on a policy that is subsequently renewed can amount to a misrepresentation in and of itself if not corrected when asked. So, for completeness, I've looked at how the £335,000 figure was originally submitted, and then gone on to look at the information provided at the 2022 renewal to think about whether AXA can show Ms C's answer wasn't reasonable (a "misrepresentation").

AXA explained that they didn't believe a BCIS calculator was used during the inception journey in 2021, and they provided screenshots of the journey they say Ms C would have likely used. These screenshots show that further information is provided on how to calculate a rebuild value. But having considered these screenshots, I'm not persuaded they demonstrate the journey Ms C likely would have taken in 2021.

I can see AXA previously said it wasn't clear which rebuild questions were asked, and Ms C highlighted that 'outbuildings cover' is shown as £20,000 as standard – but she said the standard outbuildings cover in both 2021 and 2022 was £7,500, and this standard cover was increased at some point before the July 2023 renewal. So, it doesn't appear that the screenshots AXA have provided are from 2021. Additionally, Ms C's testimony is that she did not recognise the screenshots of the sale's journey AXA provided and said she did not recall ever being presented with the option to use a rebuild calculator when she took out the policy in 2021.

AXA is required to demonstrate what questions were asked and that they provided clear information in order for a customer to understand what they needed to disclose. But because I can't be sure of the information Ms C would have been provided initially, or where it directed her to gather information from, I can't fairly conclude AXA has shown what information was provided to her in 2021 to show the value she gave was unreasonable.

Turning to the 2022 renewal, AXA says they sent Ms C a renewed schedule and Statement of Fact ('SOF') - which asked her to confirm the details they held were correct. AXA says the renewal schedule (at the page where "rebuild value" is listed) directs a customer to section 1 of the policy booklet – which says:

When taking out a policy, You are asked the amount it would take to completely rebuild Your Home, Outbuildings or replace Your Contents,

specified items or general possessions (on a 'new for old' basis), the "sum insured" or, for individual items, their "worth".

▪ If the "sum insured" isn't enough, You are "underinsured". This means that any claim that is settled will be reduced in proportion depending on how underinsured You are, regardless of the amount of the claim.

2. Your information should be up to date

Your cover is based on information you provide to Us, as detailed within Your Policy Documents. If this is incorrect, incomplete or changes during the policy year, You must take steps to tell us. If not, there is a risk Your policy could be cancelled, amended, additional premium could be charged or claims could be reduced or rejected.

Applying the logic of CIDRA to this complaint means I need to consider whether the information AXA asked for was clear to enable a reasonable customer to do something differently. But having done so, I don't think it was.

The renewal documents direct a customer to check Schedule 1 of their policy documents, but there is nothing to highlight that a customer needs to re-calculate their rebuild value using a rebuild calculator, for example. So, I don't think this is clear enough to highlight that the rebuild valuation given needed to be undertaken again.

Additionally, the specific advice in Schedule 1 says "If (the sum insured) is incorrect, incomplete or changes during the policy year You must take steps to tell us". I haven't seen anything from AXA to demonstrate that Ms C knew, or ought reasonably to have known, that the value given was incorrect or had changed. So, I don't think this on its own is enough to show that Ms C should have queried whether this sum was enough.

Based on the way AXA's renewal was worded, I also can't fairly conclude Ms C would have reason to think the information being confirmed was incorrect or incomplete. And as there was no reason to think it had changed, and certainly no warning from AXA to confirm it might need to be updated, without any confirmation from AXA directly that explained a customer would need to re-check their sum-insured; I don't find that a reasonable consumer would automatically understand this without further explanatory material. And given AXA have confirmed they don't index link the sum insured under the policy, I also haven't seen anything in the renewal documents that warns a customer that rebuild values can change as a result of market forces.

As such, I'm not satisfied this statement from AXA, which asks a consumer to check the information is correct, is clear enough to prompt a reasonable consumer to realise that the information given is something they may need to go over again. As such, because I do not find that Ms C gave an unreasonable answer, AXA would have no remedy to rely upon to reduce the claim.

What was the impact

Once again, I recognise how difficult this claim has been made due to AXA being unable to show what they consider the "correct" rebuild value to be. I understand that this is due in part to Ms C not allowing them back to her property to undertake a valuation exercise. I acknowledge in part why Ms C felt so strongly about not allowing

AXA to return to the property for further inspections, but I do think it would have been prudent for Ms C to comply with AXA's requests to complete a valuation exercise. This in turn would have allowed for a smoother complaint journey and in turn a more focused application of this Service's approach to underinsurance disputes. I acknowledge why this was – given Ms C's strength of feeling on how she felt she'd been treated during the claim. And AXA have confirmed there was evidently room for confusion here due to their explanations.

But I also think AXA may have been able to undertake a valuation exercise based on the information they did have already, and this may have resulted in there being little to no underinsurance at all. As it stands, AXA have put forward an argument for a misrepresentation but have not fully outlined all the steps needed to demonstrate this, or shown that any misrepresentation would be qualifying in any event. So, I think they acted prematurely here, and I remain of the opinion that Ms C's customer journey has fallen short – something AXA have already agreed with in their final response to the complaint.

In terms of making a compensation award, I can see AXA originally awarded £300 compensation for any confusion caused as a result of their handling of the claim. And the Investigator felt an additional £400 would be appropriate for this complaint to reflect the impact their actions had on Ms C. I'm minded to maintain my initial recommended compensation amount of £600 – for a total of £900 compensation. I'm satisfied this reflects the impact AXA's actions had on Ms C and I think it is in line with similar awards this Service would make.

Finally, I can see AXA has said given the delays in dealing with the claim and Ms C's refusal to comply with their requests to visit the property, they consider the claim to be withdrawn. I can't make a finding on this as part of my decision as it was not something that was raised within the original complaint and subsequent response. However, if AXA maintain this position, Ms C would need to raise a complaint about that separately."

I concluded that I was minded to uphold the complaint because I wasn't satisfied the information provided at renewal was clear enough to prompt a reasonable consumer to realise that the information given is something they may need to go over again. As such, because I didn't think AXA could show that the rebuild value Ms C gave was unreasonable, it followed that they would have no remedy to rely upon to reduce the claim.

AXA provided several responses to my provisional findings and disagreed – their key points were:

- Misrepresentation wasn't mentioned within the final response letter and therefore was not relevant in the context of this complaint. They maintained that any claim shortfall was never confirmed and therefore proportional settlement hadn't been triggered. But they did think a misrepresentation had occurred in any event.
- They said any assessment of whether a misrepresentation occurred was premature and outside of this service's remit; particularly as no valuation was ever completed which they said was due to Ms C not allowing further access to the property. AXA said they outlined this in their final response to the complaint.
- They did not believe this service should direct whether an average should apply because doing so would be based on a hypothetical situation
- They said Ms C's refusal to allow their surveyor to conduct a further inspection was the primary cause of any delay and they were not responsible for any increased costs.

- Making a decision on this complaint without AXA having had the chance to complete a valuation on the property (and confirm whether underinsurance exists) would be skipping ahead to a situation that isn't realised yet.
- AXA said they were within their rights to withdraw the claim, but were looking to settle the claim on a cash in lieu basis – but at the original costs prior to the dispute.

Ms C (via her appointed representative) also provided several responses. Her key points were:

- AXA's assertion that the claim was withdrawn was rejected. Ms C said she fully cooperated with AXA and a further inspection wasn't justified.
- The fees charged for preparation of tender documentation was agreed by AXA's appointed representatives, and it would not be appropriate for it to be deducted from the overall settlement figure. They should be recognised and settled as a separate and additional cost.
- The delays in settling the claim had caused real-world financial and emotional impact, including:
 - Increased costs. Contractor and construction costs have risen in excess of 10% over the past 18 months.
 - Essential emergency works were undertaken immediately after the fire, totalling £7,020, with the objective of making the building as safe and secure as possible. The prolonged delay in recovering these funds had caused a significant financial burden on Ms C.
- Ms C was seeking a cash settlement with added interest and any claim settlement should account for increases in costs due to AXA's delays.
- The final decision should include an award of interest on the outstanding settlement as well as a direction for AXA to account for any cost inflation in their settlement assessment.

As both parties have now responded to my provisional findings, I will set out my final decision below.

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've carefully considered all of the points both Ms C and AXA have provided in the context of my earlier findings. However, I am not persuaded to change my decision overall. I'll explain why.

AXA has not established that the rebuild value Ms C provided was unreasonably low at the time of renewal. The burden rests with AXA to show that a consumer provided a figure that was clearly wrong, or failed to act reasonably in reviewing or updating that figure when asked to do so in a way that would have made a material difference to AXA. As I explained in my professional findings, I do not think AXA has met that burden.

AXA believes the figure Ms C provided was outdated. However, the test is not whether the figure was ultimately right or wrong, but whether it was so clearly inaccurate that it would have been unreasonable for Ms C to provide it in the way she did – and whether AXA gave her a clear and reasonable prompt to update it.

In my view, AXA has not shown that the renewal documents or customer journey provided Ms C with a clear and reasonable prompt to revisit all recalculate her rebuild value. There is no suggestion that AXA provided Ms C but updated guidance on how to verify the figure or that she was warned that the 2018 rebuild costs might no longer be suitable. And without such guidance, I do not consider it fair or reasonable to expect a consumer to understand that their previously accurate figure may have become outdated.

Ultimately, I'm not persuaded AXA can show Ms C gave an unreasonable answer, and AXA also haven't shown that even if it had been too low, they would have done anything differently. I sincerely appreciate AXA disagrees with this approach and feels I am skipping ahead of a situation that hasn't occurred yet. And I also acknowledge that they disagree with this Service making any direction around whether proportional settlement should be applied due to a misrepresentation.

But I'm satisfied AXA clearly considered this to be the scope of the complaint when it was brought to this Service. In a previous email, they explained that they wanted me to consider whether Ms C had misrepresented the rebuild value. And I explained that even if I were to make such a finding, that alone would not mean they were able to apply a penalty for underinsurance without showing it would have made a material difference.

Again, I want to acknowledge that this complaint has been far from straightforward and I recognise Ms C's decision not to allow a further inspection has made it more difficult for AXA to validate the rebuild value and determine whether underinsurance exists. I have factored this into my approach when considering appropriate compensation. However, I do not agree that this issue alone prevents me from reaching a decision on whether AXA can fairly apply underinsurance in principle.

The onus rests on AXA to show that such underinsurance applies. And I don't think the fact that AXA did not complete the valuation is determinative where AXA had already taken a position that the claim should be reduced, nor where they have not provided any evidence to show that the original figure provided was so obviously incorrect that it justified intervention. I remain satisfied that AXA made a decision to try and reduce the claim based on underinsurance before completing all of the necessary steps to do so. And it follows I think it was fair and reasonable for this service to assess whether AXA was entitled to do so - and in my view, they were not.

What was the impact

I appreciate this has been a difficult and drawn-out claim process. Miss C has been waiting a significant period of time for settlement during which time she says building costs have increased due to inflation. AXA has acknowledged delays, and while I accept that some of the difficulty arose due to Ms C's refusal to allow further inspection, I do not think this absolves AXA's responsibility for the overall timeline. As I explained previously, the core of the complaint is that AXA were attempting to rely on underinsurance.

Even if a subsequent survey had concluded that the rebuild cost ought to have been higher, because I have concluded that AXA can't show that the inception journey properly outlined the correct way to submit a rebuild value, and AXA can't show that any misrepresentation (which I didn't find) would have been qualifying - in that AXA would have done anything differently – I find that this issue falls away. Ultimately, I do not find that Ms C's refusal to allow a further inspection shifts responsibility from AXA's lack of clarity in their inception or renewal process. And this means I think AXA share responsibility for the claim delays.

While I acknowledge this is not a complaint that is focused solely on the claim itself; I do think that it is fair and reasonable for me to consider what the impact of the delays has caused and make a direction as to whether I think the delays have caused a consequential

loss. Ultimately, I do not think it would be fair or reasonable for AXA to settle the claim at the previously agreed rates and not account for any cost increases that have occurred while this claim was outstanding.

Given that the delay in settling this claim occurred after AXA had accepted liability under the policy, I consider it fair and reasonable that the settlement should reflect the current cost of rebuilding the property - rather than the cost at the time of the fire. I'm satisfied this is consistent with the principle of indemnity that underpins most insurance policies, which aims to place the policy holder in the same position they would have been in had the loss not occurred. This is particularly relevant where building costs have increased overtime and where I think AXA could have progressed matters further based on the information available to them - but chose not to.

In relation to Ms C's other losses she has outlined, I need to explain again that my role is not to act as a claim's handler. But in the interests of concluding the complaint, I raised these with AXA for their comments, and I make the following findings:

- Emergency works to make the property safe

These works were agreed prior to AXA becoming involved in the claim. As they remain outstanding, I can't make a direction for them to be paid. However, AXA has confirmed that in principle, they do not anticipate any issue with paying them - but this will need to be considered as part of the final settlement. In the circumstances, I find this to be fair and reasonable.

- Assessors' costs (to provide scope of works and tenders)

It appears this is also a cost agreed previously before AXA were involved in the claim. As above, I explained to AXA that I expected this would need to be reviewed in line with the claim. AXA confirmed they would need to review and provide a response to Ms C about the status of these costs in the context of settling the claim. I find this to be fair and reasonable in the circumstances.

Putting things right

In conclusion, given AXA have confirmed they will be looking to cash settle the claim, I think it would be fair and reasonable for AXA to increase the settlement amount to reflect current rebuild costs rather than apply deductions based on earlier or historic figures.

And, for the reasons I've previously given, I intend to maintain my compensation amount of an additional £600 – for a total of £900. I'm satisfied this reflects the impact AXA's actions had on Ms C and I think it is in line with similar awards this Service would make.

Conclusion

I once again recognise this complaint has been made difficult given its unique circumstances. But, having considered all the available evidence and arguments, as well as thinking about my requirement to determine a complaint in line with what I consider to be fair and reasonable in all the circumstances, I find that AXA has not shown it would be fair or reasonable for them to rely on underinsurance in this case. I also consider AXA bears some responsibility for the delays in settling this claim and that any settlement should reflect the current rebuild cost, rather than earlier or historic figures.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint and direct AXA Insurance UK PLC to:

- Pay Ms C's claim without applying underinsurance;
- Settled the claim based on current rebuild costs not the cost at the time of the fire;
- Pay Ms C a total of £900 compensation (inclusive of any previous sum of £300 already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 10 September 2025.

Stephen Howard
Ombudsman