

The complaint

Mr A complains with the settlement AXA Insurance UK Plc (AXA) have offered to settle the claim he made under his home insurance policy.

What happened

The circumstances of this complaint will be well known to both parties and so I've summarised events.

In January 2023 Mr A reported a claim to AXA under his home insurance policy after water entered his property, damaging his basement. AXA arranged for a loss adjuster to handle Mr A's claim on its behalf.

Mr A raised a complaint with AXA as he was unhappy with the progress of his claim. On 17 October 2023 AXA issued him with a final response to his complaint. It said there had been long periods where Mr A hadn't been kept updated and he hadn't received a start date for works. It paid Mr A £400 compensation as an apology.

Mr A raised a further complaint with AXA as he was unhappy with the lack of progress with his claim. AXA didn't respond to this complaint within eight weeks and so Mr A referred his complaint to this Service. Our investigator looked into things and said AXA should pay Mr A a further £300 compensation which was accepted by Mr A.

In early 2024 AXA raised concerns that Mr A hadn't obtained planning permission or building control sign off for his basement. It said it would only pay for physical damage to materials and not a whole strip out and replacement to meet current building regulations. In May 2024 AXA offered Mr A a settlement of around £18,500 for the repairs to his property. Mr A rejected this and raised a complaint. He said he wanted a cash settlement for the full amount, or for AXA to arrange repairs on receipt of the planning permission he had now applied for. He subsequently provided a copy of the retrospective planning permission to AXA.

On 12 August 2024 AXA issued Mr A with a final response to his complaint. It said there had been poor communication and it had caused a loss of expectation in relation to the settlement and repairs. It paid Mr A £425 compensation as an apology. This complaint relates to the events which took place following this.

In September 2024 AXA agreed to cover the building costs in full and would pay a settlement of around £86,000 plus VAT. Mr A had concerns around accepting the cash settlement and said he would prefer AXA arrange for repairs to be carried out. AXA initially agreed with this but subsequently told Mr A it would only pay a settlement for the physical damage to materials. Mr A raised a complaint about this.

On 13 January 2025 AXA issued Mr A with a final response to his complaint. It said it had limited the settlement because it didn't believe Mr A's basement had planning permission, nor building control sign off at the time of the damage. It said when a property doesn't have planning permission the settlement offered will reflect the cost of putting the damaged

property back into the condition it was immediately before any loss. Mr A referred his complaint to this Service.

Our investigator looked into things. He said he didn't think AXA had been able to demonstrate which building standards applied at the time of Mr A's basement conversion. And so, he didn't think AXA had evidenced Mr A's basement didn't meet the relevant building standards at the time it was built and that the flood was related to this. He said he thought AXA should pay Mr A a cash settlement for repairs in line with an up-to-date quote provided by Mr A. He also said he thought AXA should pay Mr A £650 compensation to reflect the distress and inconvenience it had caused.

Mr A accepted our investigator's view but AXA didn't respond to it. As AXA didn't respond to our investigator the complaint has been passed to me 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.

I want to acknowledge I've summarised Mr A's complaint in less detail than he's presented it. I've not commented on every point he has raised. Instead, I've focussed on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Mr A and AXA I've read and considered everything that's been provided.

AXA have accepted Mr A's claim but have limited the settlement it has offered to the cost of the damaged materials. It has said this is because it doesn't believe Mr A had planning permission or building control sign off for his basement conversion at the time of the claim. So, I've considered whether this is reasonable.

Based on the evidence provided, I think it was reasonable for AXA to conclude Mr A didn't have the appropriate planning permission or building control sign off for the basement conversion he had carried out at the time the claim occurred. The planning permission Mr A received prior to the claim did include the basement, but the work carried out was different to that shown on the planning permission application.

However, I would only conclude it's reasonable for AXA to limit the settlement if it could demonstrate that Mr A's failure to obtain planning permission or subsequent building control sign off has prejudiced its position.

I've not seen persuasive evidence a lack of appropriate planning permission or building control sign off has caused the loss Mr A has claimed for. The loss adjuster who visited Mr A's property hasn't suggested the damage has been caused due to the way the basement had been built.

I've also not seen persuasive evidence Mr A's basement conversion didn't adhere to the appropriate regulations in place at the time it was built. Again, the loss adjuster who visited Mr A's property hasn't raised any concerns about the way the basement was built. Whilst I've seen internal notes from AXA suggesting the basement didn't adhere to regulations, I've not seen evidence which explains which regulations haven't been adhered to and how this impacts the reinstatement of Mr A's property.

As I don't think AXA have been able to demonstrate the lack of appropriate planning permission or building control sign off has prejudiced its position, I don't think it's reasonable for it to limit the settlement in the way it has done. The evidence suggests even if Mr A had

obtained appropriate planning permission, which he has subsequently done, and had building control sign off, his basement would have still been built in the way it was prior to the claim and would have adhered to the appropriate regulations at the time. So, I've considered what AXA needs to do to put things right.

AXA have said it wishes to offer a cash settlement for repairs which the terms of the policy entitle it to do. And Mr A has said he is willing to accept this in order to carry out the repairs to his property. So, I think it's reasonable AXA pay Mr A a settlement for the full reinstatement of his property which was damaged during the claimed for event. I acknowledge the cost for repairs may have changed since 2023 and so the settlement it pays for repairs should be based on an up-to-date quote for the necessary works.

I think the way AXA have handled Mr A's claim since its final response of 12 August 2024 has caused Mr A unnecessary distress and inconvenience. It had told Mr A it had agreed to carry out the repairs to his property in full before changing its mind and limiting the settlement. Its decision to limit the settlement to Mr A has also delayed Mr A being able to carry out the repairs to his property. Whilst I acknowledge Mr A has had use of the majority of his property, I think being unable to use his basement for this period of time has caused him distress and inconvenience.

Taking all of this into consideration I think AXA should pay Mr A compensation of £650 to acknowledge the distress and inconvenience its errors have caused. Compensation of this amount is reasonable in circumstances where a business's errors have caused considerable distress and upset over an extended period of time which I think is the case here.

Mr A has said he has incurred legal advice fees and costs for filing documents AXA requested. I don't think AXA are required to reimburse Mr A these costs as I think it's in Mr A's benefit to have appropriate planning permission and it would have been Mr A's decision to seek legal advice.

Mr A has mentioned due to delays he has had to pay to replace property which had been moved to storage. I can't see this has been raised to AXA and so I won't comment on this as part of the decision. Mr A should raise this with AXA if he hasn't done so already.

My final decision

For the reasons I've outlined above I uphold Mr A's complaint about AXA Insurance UK Plc. I require it to:

- Pay Mr A a cash settlement reflecting the reasonable cost of reinstating his property to the condition it was in immediately before the insured event. Settlement should be based on an up-to-date quote for the necessary works.
- Pay Mr A £650 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 October 2025.

Andrew Clarke
Ombudsman