

The complaint

Mr and Mrs T complain AXA Insurance UK Plc didn't settle a claim for fire damage against their home insurance policy fairly.

What happened

I issued a provisional decision. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs T had buildings insurance with AXA. In 2022 their property was damaged in a fire. AXA accepted the claim. This complaint is about how AXA is settling the outbuildings part of the claim, and about the customer service it's provided.

The main property is a three-bedroom bungalow. Next to this there's a detached garage and attached to the garage, is a family room. AXA considers the garage/family room outbuildings, whereas Mr and Mrs T say it's part of the main property.

The policy defines outbuildings as:

"Fixed structures or buildings detached from the Home located within the Boundary that You are legally responsible for.

Outbuildings include but are not limited to:

- *detached garages, sheds, boundary or garden walls, fences, tennis courts, swimming pools, external car ports, driveways, patios, artificial lawns, septic tanks, soakaways or sewage treatment centres."*

While the garage/family room may have been properly constructed, known about by the local Council and share utilities with the main property, it was detached and constructed differently. I'm satisfied it's fair for AXA to consider the garage/family room outbuildings because it's consistent with the policy definition and the general understanding of what an outbuilding is (i.e. a structure that's detached from the main property).

The policy limit for outbuildings was £7,500. The reinstatement quote for the outbuildings (including the garage/family room), provided by Mr and Mrs T's loss assessor, was £108,000. Mr and Mrs T were therefore significantly underinsured. The May 2022 policy documents set out clearly what outbuildings include and the outbuildings limit. So I can't fairly conclude Mr and Mrs T were underinsured because of a failing by AXA.

I don't find I can fairly require AXA to pay the total loss for outbuildings because the policy limit for outbuildings was £7,500, and for the reasons set out above, I'm not

satisfied AXA is responsible for that insured sum not being enough. My starting point, therefore, is the £7,500 outbuildings limit should apply to the outbuildings part of the claim, meaning Mr and Mrs T should receive £7,500 towards their outbuildings loss.

AXA says it wants to settle the claim subject to average. It initially indicated this was 14.4% of the loss. I can see it followed through on this basis for part of the outbuildings claim (clearance). It's since come to light it may have miscalculated, and it should be using 6.9%. I think it may be AXA still isn't setting out clearly how it intends to apply average, as it seems to me it's calculation would be based on the limit (£7,500) rather than the loss (£108,000).

But in any case, I find the outbuildings limit, like many others within the policy, wasn't an amount Mr and Mrs T chose. Mr and Mrs T paid for £7,500 of outbuildings cover. And I find it's unfair for Mr and Mrs T to be penalised for underinsurance twice – by limiting liability to the limit *and* applying average. I'm satisfied the fair and reasonable outcome here is for AXA to settle the outbuildings part of the claim, up to the outbuildings limit of £7,500.

All parties accept the claim didn't go smoothly. There was some lack of proactivity, delays and issues with payments. This caused Mr and Mrs T some avoidable distress and inconvenience. AXA apologised and paid £500 compensation. I'm satisfied the apology was appropriate and £500 fairly reflects the impact AXA's failing had on Mr and Mrs T. It follows I find AXA has done enough to resolve this part of the complaint.

My provisional decision

I intend to uphold this complaint and require AXA to settle the outbuildings part of the claim, up to the outbuildings limit of £7,500."

Mr and Mrs T responded to my provisional decision to say they disagreed. They said, in brief, they're concerned I reached a different outcome to the Investigator on materially the same evidence, they think it's unfair and unjustified for AXA to argue the garage/family room is outbuildings, AXA's procedural failings should impact the outcome of the complaint and overall, the outcome I reached in my provisional decision is unfair. AXA didn't provide any further comments in response to my provisional decision.

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 recognise Mr and Mrs T's strength of feeling on this matter and their disappointment I reached a different outcome to the Investigator. But my role requires me to independently review a complaint and reach my own conclusion(s). For the reasons I set out in my provisional decision, I'm satisfied it was fair and reasonable for AXA to consider the garage/family room as outbuildings, and the policy limit for outbuildings is clear.

When the Investigator issued her recommended outcome both parties accepted. It soon came to light, when payments were being calculated/discussed, there had been a material misunderstanding about the redress the Investigator recommended on the part of AXA. It was therefore necessary and appropriate for an Ombudsman to decide the complaint, as would be the case had the misunderstanding been on the part of Mr and Mrs T.

I have a great deal of sympathy for Mr and Mrs T. Any claim of this nature was going to be

time consuming and stressful, and I recognise this decision may impact their ability to return their outbuildings to their pre-loss condition. But I must approach this matter objectively and for the reasons I set out above and in my provisional decision, I don't find I can fairly require AXA to pay more than the outbuildings limit.

My final decision

I uphold this complaint and require AXA to settle the outbuildings part of the claim, up to the outbuildings limit of £7,500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 9 September 2025.

James Langford
Ombudsman