DRN-5818888

The complaint

Ms F complains about the way AXA Insurance UK Plc ('AXA') handled her claim for flood damage under her home insurance policy.

What happened

The following is intended as a summary of key events only.

Ms F held a home insurance policy underwritten by AXA. She contacted them in April 2023 to raise a claim for flood damage to her property. AXA accepted the claim and asked Ms F to obtain quotes for the work. Ms F says she experienced problems with this process but ultimately obtained two builders' quotes – which I will refer to as "quote A" and "quote B" in this decision. AXA used the lower quote B to value the claim; after confirming it would cover the same scope of works.

In February 2024, AXA offered Ms F a cash settlement of around £68,000, which Ms F accepted. Ms F provided her bank details so the money could be paid directly to her. A further payment of just under £13,000 was made in June 2024 when additional damage was identified.

The contractors who provided quote B started the works – but Ms F says she was left with serious delays, poor workmanship, and an unfinished project. She says she had to employ another contractor at a cost of around £20,000 to complete the works. Ms F raised a complaint to AXA and said they had instructed the contractors who provided quote B and therefore she had no choice in who to use. And she also said she raised concerns early on in the claims process when both quotes were provided and outlined that she felt the contractors who had provided quote B would be unable to complete the works for the price quoted. She said despite these concerns, AXA went ahead and decided to use quote B, being the cheaper quote, and ultimately instructed the contractors to begin the works.

AXA considered the complaint but did not uphold it. They said the claim was settled in cash, with a payment made directly to Ms F, and they maintained they had not appointed the contractors who had provided quote be and therefore would not be responsible for any workmanship issues or additional costs. Ms F remained unhappy with how AXA had handled her claim - so, she brought the complaint to this Service.

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

> *"I first want to acknowledge that I have summarised Ms F's complaint in a lot less detail than she has presented it. No discourtesy is meant by this, and I want to assure her that I have read and considered everything submitted in its entirety. However, as an informal dispute resolution service, my role is to focus on the main issues of a complaint in order to reach a fair and reasonable outcome overall. And this means I have intentionally only focused my decision what I consider to be the key points of this dispute.*

The crux of this complaint comes down to whether Ms F had a genuine informed choice when settling this claim. Broadly, the parties' positions are that Ms F says AXA spoke to the contractor to check the scope of works, check their availability to start, and then went on to instruct them to start those works. AXA deny this and say that they only spoke to the contractor to confirm the scope of works, and they did not instruct them to begin without Ms F's knowledge or consent. She's also said that the loss adjuster appointed by AXA has since changed roles and this means she cannot obtain further records or clarification from him.

In situations like this, I'm required to make my decision on the balance of probabilities, given the evidence which is available and the wider circumstances of the complaint, as well as how much weight to give to any piece of evidence. Additionally, Under DISP 3.6.1, my remit is to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case.

It's not disputed the AXA spoke to the contractor about the scope of works and their availability. This appears to have been undertaken with a view to confirming that quote B - being the lower of the two quotes provided - would encompass all of the works required to settle the claim. I don't find this to be unfair generally, as AXA would have needed to confirm that any settlement they made under the policy would allow Ms F to repair the damage caused by the flood.

But AXA asked Ms F to obtain two quotes at the start of the claim, and there doesn't appear to have been any discussion around AXA providing contractors to complete the works. From the outset, it appears Ms F was being steered into using a cash settlement.

Once Ms F did provide the two quotes, she voiced concerns about the second contractor and indicated a preference for the other contractor, who had been recommended to her. I think against that background, the specifics of a cash settlement fixed to contractor B, without a clear explanation of the practical implications or meaningful options available to Ms F would not amount to a genuine, informed choice.

I've also considered the e-mail correspondence between Ms F and AXA in February 2024 where they confirmed details of the total assessment and asked Ms F to provide her bank details to the funds could be paid directly to her. Ms F provided her bank details and accepted the payment. I'm satisfied this shows AXA settled the claim on a cash basis. But I haven't seen any evidence that outlined to Ms F that while this sum settled her claim; she was free to engage any contractor she wanted.

I think the evidence does show Ms F had a genuine belief that the claim was being managed on her behalf – and so, while AXA may have arranged payment to her directly – I don't think they did enough to outline what this meant in practice.

I think the evidence shows that given the urgency to fix the flood damage, and AXA's reliance on contractor B's quote, Ms F likely felt steered towards that pathway. While I accept AXA did not formally appoint the contractor, and I accept there's no written instruction, I've also considered the contemporaneous messages and the sequence of events overall.

AXA validated contractor B's quote as the accepted scope of works, checked their availability, and discussed start times, and then made a payment on that basis. On balance, I think Ms F could reasonably understand that AXA had chosen the route to conclude the claim, and the contractor was proceeding within an AXA-set framework.

While I accept AXA did not formally instruct that contractor, I'm satisfied their conduct materially directed how the claim would be resolved.

As such, I consider that the issues Ms F experienced as a result of contractor B's appointment to the claim should be met by AXA as a consequential loss.

What was the impact

I recognise the serious difficulties Ms F went on to experience with the contractor. I don't underestimate how protracted and stressful the repairs were, or the impact this had on her personally and financially. I also accept that she ultimately had to spend additional money to bring the works to a conclusion."

I concluded that I was intending to uphold the complaint. I said I understood Ms F had incurred additional costs in the region of £20,000 to put right the damage caused by contractor B. I said AXA should refund Ms F the additional costs she paid to complete and make good the works by reviewing the invoices, receipts and statements Ms F provides and reimburse the full amount. I also said AXA should pay 8% simple interest for the additional expenses from the date Ms F paid them to the date AXA reimburses her.

I also considered the impact to Ms F and said AXA should pay compensation of £750 which reflected the avoidable stress, disruption and financial impact caused by being directed into using a contractor she raised concerns about, and the impact of having to sell her vehicle to fund repairs.

I invited both parties to provide a response to my provisional findings. Ms F replied and said she agreed. AXA also provided a response but said they didn't agree. Their main points were:

- My provisional findings appeared to be based on whether an implied agency was formed – so the question to answer was whether AXA's actions reasonably led Ms F to believe AXA instructed or were in charge of the contractor she chose.
- AXA reserved the right to decide how the claim was settled.
- AXA never steered Ms F to obtain a quote from a specific contractor, and she was free to approach any company she wanted.
- My provisional direction carried implications for other claims AXA intended to cash settle.

As both parties have now provided their replies 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 AXA has provided in the context of my earlier findings. However, I am not persuaded to change my decision overall.

First, I want to confirm that I agree AXA is entitled to choose how they settle a claim under the policy wording. And I also accept it's not generally unfair for AXA to choose the lower of the two quotes, given they were told it would cover the scope of works required. But my focus here has been on how Ms F understood the claim to have been progressing and

whether it was reasonable for her to understand AXA were directing the settlement and were ultimately in control of it.

From considering the claim history, Ms F was asked to obtain two quotes for the repairs which she did. She also raised her concerns about the suitability of one of the contractors early on. AXA validated contractor B's quote as the accepted scope of works, checked their availability, and discussed start times, and then made a payment on that basis. While I note AXA has said there is no evidence to show their loss adjuster specifically appointed contractor B, given Ms F's concerns she raised, I don't find it reasonable to conclude she went ahead and instructed them separately to this, unless she understood AXA had chosen the route to conclude the claim, and the claim was proceeding within an AXA-set framework. On balance, I find that Ms F was steered towards contractor B and led her to believe AXA had chosen the route to progress the claim. I therefore do not think she had a genuine, informed choice.

I also acknowledge AXA's submission that, even if they had expressly told Ms F she was free to engage any contractor she wanted with the cash settlement, she could've ended up engaging another contractor who may have quoted the work at a higher price. But I don't think this is determinative of the complaint overall. Instead, I think this is another factor which provides a layer to support why AXA's handling of the claim led Ms F to understand AXA were leading the settlement and appointing the contractor they were choosing.

AXA says they can't be held be responsible for the workmanship of contractor B and I agree in principle that an insurer is not automatically liable for workmanship by a contractor privately appointed. But that's not the basis of my finding here. My decision is that AXA's handling of this specific claim, in validating, accepting, and proceeding with contractor B's quote, despite Ms F's objections and concerns, materially influenced the course of events.

I've also considered AXA's concerns that my approach could have implications for all of their cash settlement claims. But I'm satisfied my decision is based on the particular facts of this case and does not create a general precedent for all cash settlement claims. Miss F raised specific concerns about the contractor and the settlement, but AXA chose to validate the contractor's quote and settle the claim on that basis.

Ultimately, I am required to decide what I consider to be a fair and reasonable outcome in all the circumstances of a particular case. On that basis, and in the circumstances of this specific complaint, I find the fair and reasonable outcome is for AXA to reimburse Ms F's additional costs, pay interest, and compensate her for the avoidable distress an inconvenience she experienced. I'm also satisfied my decision produces a fair and reasonable outcome in line with my requirement under DISP 3.6.1.

My final decision

For the reasons I've set out, my provisional decision is I uphold this complaint. I direct AXA Insurance UK Plc to:

- Review the invoices, receipts and statements Ms F provides and reimburse the full amount.
- AXA should pay 8% simple interest for the additional expenses from the date Ms F paid them to the date AXA reimburses her.

- Pay £750 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 13 October 2025.

Stephen Howard
Ombudsman