

The complaint

Mr N complains that AXA Insurance UK Plc, unfairly handled his claim with avoidable delays added during the claim process. This resulted in the settlement being agreed later than it should have been.

Mr N says as a result of the delays, he has incurred consequential losses and he'd like AXA to cover his loss.

What happened

This claim is well known to both sides and detailed submissions have been provided by each. With this in mind, I won't repeat the details here and I'll focus on what is relevant to the issues outstanding.

AXA issued a final response to Mr N's complaint on 28 February 2024. It accepted the claim, first made by Mr N in December 2022 with the schedule of repairs not accepted until 31 January 2024, had delays added which were avoidable. In recognition of the delays, AXA paid Mr N £400. It also paid an additional £25 to recognise a delay in its complaint handling and response.

AXA said Mr N's policy didn't provide cover for loss of rent, but it could consider this as consequential loss. It asked Mr N to provide information to support his claim for loss of rent and it would consider this and the council tax bills incurred.

On receipt of information from Mr N, AXA agreed to make a payment equivalent to 5 months loss of rent and council tax. The rental figure was based on the rent previously received, £1010 per month and the council tax was based on the amount paid.

Our investigator looked at this complaint and didn't think AXA had gone far enough with its offer to put things right. They were persuaded by the information provided by Mr N, that the likely rent for the property would have been higher. They felt this should be increased to £1300 per month. They also felt it was fairer to say the total avoidable delays equated to 6 months.

Based on this, the investigator recommended that the payment for consequential loss be increased to cover the higher monthly rental income, with the additional month, totalling £2750. They also said a further months council tax should be refunded with a payment of £256. They said 8% interest should be applied to this payment from the date of the previous payment, until the date this payment is made.

Our investigator also felt the award made for the distress and inconvenience was too low. They felt a fairer figure to reflect the distress and inconvenience experienced by Mr N was £500.

AXA didn't accept the proposed outcome. It said the loss of rent figure was fairly based on what was previously received for the property. Without anything to show it would have rented out for more, it didn't think it was fair to increase this amount. AXA also said it had identified

the avoidable delays and its offer was correctly based on five months only. Finally, it questioned why the award for distress and inconvenience should be increased when it had made an award very close to the recommended uplift.

Our investigators opinion remained unchanged. They explained they were satisfied it was fair to consider the consequential loss based on what the property would likely have rented out for, once the work was completed and not what was received previously. The award was based on the circumstances of Mr N and the impact of the delays on him and they felt £500 was fair.

AXA didn't agree with the outcome and asked for a decision on the complaint and it has been passed to me.

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 decided to uphold this complaint, for much the same reasons as our investigator. I appreciate AXA has concerns about the calculation of the redress for loss of rent and the increase in the award for distress and inconvenience, but I'll explain why I think it is fair this is covered.

When responding to this claim, AXA should have adhered to ICOBS:

<https://www.handbook.fca.org.uk/handbook/ICOBS/8.pdf>

“An insurer must:

- 1. handle claims promptly and fairly;*
- 2. provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress;*
- 3. not unreasonably reject a claim (including by terminating or avoiding a policy); and*
- 4. settle claims promptly once settlement terms are agreed.”*

In this claim, it has been accepted that AXA has not adhered to several parts of ICOBS and its made an offer to settle the claim after avoidable delays within the process.

The claim notes talk about six months being lost after the costs of the works were argued about with the adjusters surveyor. AXA has said it thinks it fairly reflected the delay for Mr N and the consequential loss but has only made a payment for five months, not six. Our investigator said they felt this should be increased to six months, and AXA needs to now pay an additional months loss of rent and council tax.

With the timeframe set out from the claim notes and AXA itself saying it feels there was six months of delay, I agree it is fair that AXA pays an additional one month rent and council tax to Mr N.

AXA has said it doesn't think it is fair to pay Mr N the increased rental figure. It feels using the figure he was previously receiving for the property is fair. The property wasn't let at the time of the incident and so Mr N wasn't receiving anything at this time and AXA has used the previous tenants rental amount with a monthly figure of £1010. I understand why AXA has taken the approach it has when saying it feels this is the fairest way to quantify the loss. I

don't agree this is the fairest approach for Mr N.

Mr N has provided a valuation from a local estate agent to comment on the likely rental income that could have been expected had the property been let out sooner, with the work being completed without delay. This placed a valuation on the property of £1300 to £1500. Our investigator felt it was fair to take the expert opinion on the loss of rent and taking the lowest of these valuations, said £1300 was fair.

I agree this is a sensible approach to take when the property wasn't let out prior to the incident. If there was existing tenants who moved because of the escape of water, it would be right to quantify the loss, based on the previous income. But with new tenants being needed and Mr N likely needing to rely on an estate agent and their valuation on the market rate for the property, I think it is fair to base the loss on what he likely would have received. Whether he could have achieved the highest valuation is not known and I don't think it is right to apply this. But I am satisfied it is likely Mr N would have achieved at least £1300 per month.

So, I think AXA should increase the consequential loss payment to allow for six months loss of rent at £1300 per month, being the figure, that Mr N would likely have received. While the property could have let for the higher end of the valuation, it would be too speculative to allow for this when thinking about the consequential loss.

AXA has already paid Mr N £400 for the distress and inconvenience of the handling of this claim. Our investigator felt this should be increased to £500.

There is always a level of inconvenience to be expected with an insurance claim. This will result in time needing to be spent by the claimant as they work with the insurer to put things right. When things go wrong during this journey, we think about what the impact of this was and the extra time needed. We wouldn't expect a claimant to be compensated at an hourly rate but instead, we we'll make an award which we feel fairly reflects the impact.

I think it is clear there was an impact on Mr N with the delays added here. A large part of this impact was the delay in the property being repaired, stopping it from being re-let. This is something which would have affected the business with lost income, causing distress to Mr N and inconvenience was added as Mr N spent time working with AXA for things to be put right. I also think frustration would have been added when the ultimate settlement was based on the figure first suggested many months earlier. So, I think it is fair to increase the award here and I am satisfied £500 is fair for this. It is inline with the awards I would expect and while only a modest increase on what was paid previously, it is right to uplift this.

Putting things right

To compensate Mr N for the consequential loss resulting from the delays in the handling of this claim, AXA should do the following to put things right.

Increase the payment made for loss of rent

It should pay Mr N for 6 months loss of rent and increase the monthly rental amount to £1300 from £1010. In total, this results in a difference of £2750 not paid.

It should now pay the £2750 not paid when the loss of rent was first paid.

It should also pay an additional one month's council tax at £256.

AXA should add 8% simple interest from the date at which it first paid Mr N for the loss of

rent, until the date this payment is made.

It should also pay Mr N a total of £500 for the distress and inconvenience added to this situation. If it has already paid the £400 set out in its final response, it needs to pay the remaining £100 only.

My final decision

For the reasons I've explained above, I uphold Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 11 November 2025.

Thomas Brissenden
Ombudsman