

The complaint

Mr and Mrs L are complaining about the amount Aviva Insurance Limited has paid to settle part of a claim they made on their buildings insurance policy.

What happened

In October 2023 Mr and Mrs L's property was damaged through an escape of water. A lot of issues have occurred during the claim, but regarding this complaint, Mr and Mrs L are disputing the settlement for the damage to their flooring. In particular they're unhappy they can't replace the flooring for the amount Aviva has paid to settle the claim – around £14,000. Mr and Mrs L said they've received three quotes between £36,000-£38,000 + VAT. They also said their contractors have said they'd need to vacate the property for three weeks while the works are being carried out.

Aviva thought the settlement figure made was fair. And it thought a lot of the work included within Mr and Mrs L's quotes was unnecessary. It also said the property was habitable during the repair works, so it didn't agree to pay any alternative accommodation.

I issued a provisional decision partially upholding this complaint and I said the following:

"I intend to partially uphold this complaint and I'll now explain why.

Claim settlement

The terms of the policy gave Aviva the right to either arrange to carry out repairs or pay a cash settlement. But in doing this, it needed to exercise this right fairly. Aviva has said Mr and Mrs L said they wanted to use their own contractors, but I haven't seen anything to support that. So, if it wanted to cash settle a claim it should've paid the amount it would've cost Mr and Mrs L to carry out necessary works. However, Aviva would always final approval of an estimate for works.

In this case, Aviva said it would pay what it would have had to pay to carry out the works and I don't think that's fair. That said, Aviva has set out that the quotes Mr and Mrs L provided included some works that I think it's fairly said weren't needed. So I don't think those quotes were fair either. However, I think it should have given Mr and Mrs L the option for one of its contractors to complete the repairs. And had it done so or been able to come to a fairer settlement figure, I think it could have resolved things much sooner and, therefore, avoided a lot of the subsequent distress and inconvenience.

However, I'm not persuaded that Mr and Mrs L have lost out financially as a result of this. Ultimately their contractor has repaired the flooring and they've paid less than what Aviva paid them. So I don't think I can reasonably require Aviva to pay more than it's already done so in settlement of the claim itself.

Mr and Mrs L have said that the fact they've repaired the flooring for less than what Aviva paid is immaterial as they maintain they were entitled to the full replacement cost, which they maintain is £37,000+VAT. But, as I said above, I don't consider this to be a fair charge

either. For one, it seems these costs cover a full replacement of all flooring which wasn't covered under the policy. I think the scope of works presented by Aviva's contractor was fair, but allow for its cost prices, which is lower than what an individual can personally access on the market. So I think it would have cost more, but not significantly more than that.

However, I think the core pertinent point here is that, had Aviva given Mr and Mrs L the choice, it's likely they would have elected to have Aviva's contractor as it wouldn't have agreed to the reinstatement estimates Mr and Mrs L had presented. Had it done so, Mr and Mrs L would still be the same financial situation they are now. So, taking all this into consideration, I don't agree Aviva should pay Mr and Mrs L a further cash settlement.

That said, while I don't think Aviva needs to pay Mr and Mrs L more than it has paid to settle the claim, I think its actions have caused Mr and Mrs L some distress and inconvenience. As I said I think it could have resolved this issue much sooner had it provided a fairer settlement figure. But, I'm also conscious that Aviva had said it would have replaced the flooring. So Mr and Mrs L would have had a new flooring rather than a repaired floor. Given all this, I think Aviva should pay Mr and Mrs L a further £750 in compensation.

Alternative accommodation

The policy says Aviva will pay any reasonable additional accommodation expenses if Mr and Mrs L can't live in their house. Mr and Mrs L have said that their contractors all advised that they'd have needed to have moved out to during the repair process. But I don't think I've seen enough to say they couldn't live in the house at the time. I recognise that it would have been more inconvenient to live in the property. But I understand they would have had full use of all the house's primary utilities – i.e. kitchen, bathroom etc. The policy wouldn't consider the property uninhabitable in these circumstances. So I don't think it was unreasonable for Aviva to say it wouldn't cover any lost earnings.”

Aviva accepted my provisional decision. However, Mr and Mrs L didn't agree and said the following:

- They didn't agree that the quotes they'd provided were unreasonable. They said they covered what was needed. They said their contractors advised that sanding and varnishing was necessary in order to achieve a similar finish to the flooring as it was before being damaged, as reclaimed pine is an unfinished product.
- They set out Aviva's calculation included unreasonable costs per square meter for flooring which was insufficient to buy reclaimed pine.
- They said the policy included matching set cover, so they maintain they were entitled to have all the flooring to be replaced. And they say Aviva had accepted that.
- Having elected to cash settle the claim rather than carry out the work, Aviva is required to pay them the amount it would cost them to have the work done, as evidenced by the quotes they provided.
- They set out that the repairs they carried out haven't returned the flooring to the condition it was in before the escape of water. And they said they had to do this given Aviva's cash settlement wouldn't cover the amount to replace the flooring.
- They disagreed with my findings relating to the alternative accommodation. They said the flooring work would have left joists and wires exposed, throughout the house. They said this would completely cut off access to the house's primary utilities. And they highlighted their contractor said they'd have had to move out.
- They noted I'd referred to them claiming for loss of earnings, but they'd never claimed that.

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 considered Mr and Mrs L's comments, but I don't think they've raised anything they haven't set out before. So I see no reason to reach a different conclusion.

While I recognise they've set out that their contractors only included works that were needed, I'm satisfied Aviva could have sourced a contractor to carry out the works for the amount it said it would pay. And, as I set out in my provisional decision, Aviva's failing in this matter was to not offer to arrange to have the works carried out itself.

All insurers will have the right to authorise any repair works. While I note Mr and Mrs L's comments around the quotes, given how far apart they were from Aviva's quotes, it would not have authorised those contractors to do the works. And that's not unreasonable given it believes it could do the works for around £20,000 less.

Mr and Mrs L have set out that they have matching sets cover. And, he says Aviva had agreed to replace the entire flooring. While that may be the case, it still remains that the core thing I need to consider here is what would most likely have happened had Aviva done what it should have – i.e. offered to do the reinstatement work itself.

I remain of the opinion that Aviva could have arranged for one of its contractors to do the work for the price quoted. And it should have given Mr and Mrs L the choice whether to use Aviva's contractors or receive a cash settlement. As I said in my provisional decision, I think it's most likely that Mr and Mrs L would have elected to use Aviva's contractor as it wouldn't have agreed to the reinstatement estimates they'd presented. Had it done so, it would have had the works done without Mr and Mrs L being out of pocket – other than any payable excess

So I remain of the opinion that Aviva doesn't need to pay anything further regarding reinstatement costs for all the reasons I set out in my provisional decision.

I've considered Mr and Mrs L's comments regarding alternative accommodation. But they haven't changed my decision. I apologise for incorrectly referring to loss of rent rather than alternative accommodation in my provisional decision. But, ultimately, I remain satisfied that, based on the works required, the property would still have been habitable. And, ultimately, Mr and Mrs L haven't incurred any alternative accommodation costs. So I can't say it was unreasonable Aviva didn't agree to pay anything regarding this.

My final decision

For the reasons I've set out above, it's my final decision that I partially uphold this complaint and I require Aviva Insurance Limited to pay Mr and Mrs L £750 in compensation. I don't require it to pay anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 14 November 2025.

Guy Mitchell

Ombudsman