

The complaint

Mr K complains AXA Insurance UK Plc hasn't settled a claim against his residential landlord insurance policy fairly.

What happened

The details of this complaint are well-known to be parties, so I won't repeat them here. Instead, I will focus on the reasons for my 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.

Mr K had a residential landlord insurance policy with AXA. He made a claim for an escape of water. AXA accepted the claim. AXA has settled the claim on a proportional basis because it says Mr K was underinsured. Mr K complains this isn't fair because he wasn't underinsured, so he wants AXA to settle the claim in full.

As Mr K was a commercial customer, the principles of the Insurance Act 2015 are relevant to this complaint. It requires the proposer to make a fair presentation of the risk to the insurer. The policy was taken out online. AXA has shown Mr K was asked: "*What would it cost to rebuild this property?*" along with an explanation of what this meant. Mr K answered £60,000.

AXA offered to settle the claim at 60%. This was because Mr K had said the rebuild cost would be £60,000, and it found a fair presentation of the risk would have been a rebuild cost of £100,000 (or more). Later, it offered to settle at about 79% based on the proportion of premiums Mr K paid: £202.63 for £60,000 of cover, and £255.91 for £100,000 of cover.

Mr K disputes AXA's rebuild estimate. AXA has provided calculations which show rebuild estimates of £100,000 (from a basic BICS calculation), £147,000 (from a more complex BICS calculation), £171,143 (from an agent) and £209,952 (from an in-house surveyor). Based on AXA's figures, I find using the £100,000 figure to be fair because if Mr K had sought to estimate the rebuild cost online this is likely the tool available to him.

Mr K says he wanted a sum insured of £90,000, but to get that sum he needed choose a £60,000 rebuild cost. The schedule sets out two figures: 'Buildings reinstatement declared value' of £60,000 and 'Buildings sum insured' of £90,000. But the buildings reinstatement declared value has an explanation:

"Buildings reinstatement declared value is the cost of rebuilding the property as new at the start of the period of insurance, including additional costs to comply with public authority requirements, professional fees and debris removal costs."

The policy explains the two figures, primarily under the 'Day one average cover' section. It says, in brief, the premium is based on the declared value. Declared value is based on the

insured's assessment of the cost of reinstatement (whereas the sum insured is the most AXA will pay for any claim). The 'Day one average cover' section increases AXA's liability as proof against inflation, but only if the declared value is a fair presentation of the risk.

Mr K argues, in brief, his sum insured was £90,000, which is close to AXA's figure of £100,000, so he provided a fair presentation of risk. Mr K has set out his methodology to show how he reached his figure. But his methodology is based on property value rather than rebuild cost and hasn't used industry recognised practices such as the BICS calculator.

I don't find Mr K made a fair presentation of the risk. I say this because he was asked "*What would it cost to rebuild this property?*" and he said £60,000. AXA has shown that wasn't a fair presentation of the risk, and by Mr K's own testimony, he did the application to seek a sum insured in line with what he wanted, rather than provide the figure AXA asked for. If Mr K had answered the question reasonably the sum insured would have taken care of itself.

As Mr K didn't make a fair presentation of the risk there are remedies available to AXA under the policy and under the principles of the Insurance Act 2015 to reduce its claim settlement. As set out above, AXA has offered a settlement based on the proportion of premiums Mr K paid, which is to his benefit. I see no compelling reason to interfere with that.

Mr K had two other complaint points. He says AXA hasn't paid him for lost income and additional costs. Mr K agreed with the Investigator that as AXA would be considering these further, our Service wouldn't consider them as part of this complaint. Mr K also said AXA's approach to underinsurance, such as not making an interim payment, led to claim delays.

In AXA's March 2025 final response letter, it recognised the distress and inconvenience its claim delays caused Mr K. It apologised, agreed to provide feedback and offered him £500 compensation. I find that's fair and reasonable in the circumstances because I'm satisfied those actions fairly reflect the impact this matter has had on Mr K, a commercial customer.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 25 February 2026.

James Langford
Ombudsman