

The complaint

Mr and Mrs S complain about the settlement Aviva Insurance Limited has offered for a claim they made on their buildings insurance policy.

Reference to Aviva includes its agents and representatives. As Mrs S has primarily dealt with matters, I'll refer to her on behalf of Mr S for simplicity.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mrs S took out buildings insurance for her home and farm, through B, an independent intermediary, in 2020. It was underwritten by Aviva.
- The policy renewed annually. After the 2023 renewal, Mrs S got in touch with Aviva about storm damage to one of her farm buildings. Aviva accepted the claim.
- Aviva noted the total sum insured for all farm buildings was just under £100,000 – but the quote Mrs S provided for reinstating the damaged building alone was much more than this. Aviva estimated the sum insured for all farm buildings combined should have been around £335,000. As a result, it said Mrs S had insured her farm buildings for around 30% of the amount she should have done. So it would only pay around 30% of the claim value.
- Aviva also disagreed with the quote Mrs S provided. It estimated the cost of reinstating the damaged building to be around £35,000. After applying the 30% reduction and deducting the policy excess, Aviva offered just under £9,000 to settle the claim.
- Mrs complained. Aviva maintained its position.
- Our investigator thought Aviva acted fairly overall.
- Mrs S disagreed. I understand her main reason for doing so was Aviva's valuation of the cost of reinstating the damaged building.
- As an agreement wasn't reached, the complaint 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.

- When considering what's fair and reasonable in the circumstances I've taken into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Whilst I've read and taken into account everything said by both

parties, I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. That's a reflection of the informal nature of this Service.

- The scope of this complaint is limited. I can only consider any activities Aviva is responsible for, such as the claim settlement it offered. And I will only consider matters up to and including the November 2024 complaint response.
- Aviva isn't responsible for B or the activities it carried out. So I can't consider them in this decision. Mrs S is entitled to make a separate complaint if she would like to.
- There are a number of points for me to consider, so I'll take each in turn. I'll start by summarising what Aviva was responsible for. I'll then go on to consider the two points which impacted the claim settlement – the rebuild cost and the claim value.

What was Aviva responsible for?

- The policy was sold by B, an independent intermediary. As a result, Aviva isn't responsible for B, or B's sales process and communication.
- Aviva is responsible for letting B know what information needs to be gathered from Mrs S in order to setup and renew the policy. Aviva is entitled to take whatever information B has gathered at face value and set the policy terms and premium accordingly. Aviva isn't required to check or validate the information received.
- Aviva is also responsible for handling the claim promptly and fairly. As part of that, if it considers Mrs S provided unreasonable information at the sale or renewal, it should act in line with the relevant law.
- That law is the Insurance Act 2015 ("the Act"). The Act says, in summary, that Mrs S was responsible for making a 'fair presentation' of the risk, via B.
- In summary, if Mrs S fulfilled that duty, Aviva can take no action. If Aviva can show she didn't fulfil that duty, and Aviva can show that it would have acted differently if she had fulfilled that duty, the Act sets out the remedies available to Aviva. Depending on the circumstances, that can include settling the claim proportionately.

Rebuild cost

- To setup and renew the policy, Aviva wanted to know how much it would cost to rebuild the farm buildings. Through B, Aviva was told Mrs S estimated the cost to be around £100,000 at the 2023 renewal.
- The question is whether that amounted to a reasonable estimate of the rebuild cost of these buildings, based on what Mrs S knew, or ought reasonably have known, at the time of the renewal in 2023.
- Aviva estimated the rebuild cost at around £335,000. I can see a surveyor considered the size, construction and roof type of each building separately, together with the likely cost of demolition and professional fees, to reach this estimate. I'm satisfied that shows Aviva carried out a sufficiently comprehensive estimate.
- I haven't seen another estimate for all the buildings to challenge Aviva's estimate. Mrs S provided a quote to reinstate one of the buildings for around £120,000

excluding VAT. That's more than double Aviva's highest estimate for any of the buildings. So I don't think it suggests Aviva's estimate is unreasonably high.

- I haven't seen an explanation for why Mrs S estimated the cost at around £100,000. She's suggested she should have been provided with more guidance or support at the renewal. But that's a matter for B, not Aviva – so it's not something I can take into account in this decision.
- Taking all of this into account, I'm satisfied Mrs S' estimate was unreasonable. So I don't think it amounted to a fair presentation of the risk, in line with the Act.
- Aviva has shown it would have charged a higher premium had it been told the rebuild cost was around £335,000. That meant Mrs S paid just under 30% of the premium she ought to have done for the farm buildings cover. In line with the Act, that means Aviva is entitled to proportionately settle the claim at that percentage.
- This is what Aviva has done, so I'm satisfied the reduction of 29.4% is in line with the law, and fair and reasonable overall.
- Aviva relied on an 'average' policy term to make the reduction. Whilst that's not the approach I've outlined above, it reached the same outcome. So I don't think it's disadvantaged Mrs S.

Claim value

- Based on my findings from the section above, it's fair in principle for Aviva to proportionately settle the claim at 29.4% of its value. It can also deduct the policy excess in line with the policy terms.
- The remaining question is what a fair value for the claim is. Mrs S submitted a quote for around £120,000 excluding VAT, from a contractor I'll call C.
- Aviva's surveyor reviewed the quote and thought £31,713.36 excluding VAT was a fairer price for the insured work. I can see they considered each line of C's quote and removed or adjusted items based on their view of the extent of damage, repairs required to reinstate the building, and the likely costs involved.
- I haven't seen anything from C to challenge Aviva's surveyor or to explain the reasoning for items in its quote. So, based on the available information, I'm more persuaded by Aviva's estimate than C's quote. But Mrs S is entitled to gather further information from C and share it with Aviva if she would like to challenge Aviva's estimate. If she does so, I would expect Aviva to consider its position.
- Also, if I were to accept C's quote is a fair valuation, that would change the proportionate settlement – and less favourably to Mrs S. Aviva's most expensive rebuild estimate for an individual building was under £60,000. So, accepting C's quote would mean the farm buildings should have been insured for at least £400,000. That would reduce the proportionate settlement further. It may also call into question whether the rebuild cost estimates for other buildings should be increased too.
- In these circumstances, I'm satisfied Aviva's claim settlement offer is fair and reasonable, for the reasons given above.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 16 January 2026.

James Neville
Ombudsman