

## **The complaint**

Mr B complains about the terms AXA Insurance UK Plc applied to his buildings insurance policy at renewal following a subsidence claim.

Reference to AXA includes its agents and representatives.

## **What happened**

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

- Mr B made a claim for subsidence, which AXA accepted. At the 2025 renewal, AXA applied a number of terms to the policy. In summary:
  - The premium increased from £800 to £1,600, approximately
  - The subsidence excess increased from £1,000 to £5,000
  - Two endorsements were added, which excluded cover for claims related to underground drainage or liability for drains and trees.
- Mr B complained about the changes. At the time, all vegetation identified as the cause of subsidence had been removed. So he thought the chance of a further subsidence problem was limited – and therefore these premium and excess increases weren't justified. He also thought the increases were disproportionate to the relatively minor extent of damage and the likely cost to put it right.
- AXA provided some general information about the factors it considered at renewal and said it had made significant underwriting changes to the policy.
- After our investigator's involvement, AXA agreed to remove both endorsements, backdated to the 2025 renewal, and issued Mr B new policy documents to reflect the change. Our investigator thought AXA acted fairly in relation to the premium and excess increases. Mr B disagreed, so 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 decision is limited to the terms AXA applied at the 2025 renewal, summarised above. So I haven't considered how the claim has been handled.

As the two endorsements have been removed, I'm satisfied that point has been resolved and needs no further consideration. So I'll focus on the two remaining points.

I agree with the position our investigator reached, and for broadly the same reasons. Her explanation was clear and comprehensive, so I don't think it's necessary for me to go over everything again in detail. Instead, I'll summarise the main points:

- Each insurer is entitled to take its own view of risk and, based on that, what terms to offer for a policy. That includes the price and excess to charge.
- Like any insurer, AXA can generally take into account any relevant and accurate information it wishes when deciding how risky something is to insure.
- There are no rules or regulations or similar which prohibit AXA from making its own underwriting decisions. It's entitled to make its own judgement about how risky it is to provide home insurance to Mr B.
- Whilst the removal of the vegetation thought to have caused the subsidence problem may reduce the risk of further subsidence problems, it's unlikely to completely eliminate them. AXA is entitled to decide for itself how much risk remains, how to judge that, and what corresponding premium and excess to charge.
- Nonetheless, I would expect AXA to be able to show its premium and excess increases were fair.
- As a starting point, I would expect AXA to be able to show those increases were in line with its general view of risk and Mr B was treated consistently with how any other policyholder in similar circumstances would have been. Otherwise it's unlikely I'd find he was treated fairly.
- AXA has shared underwriting and pricing information with this Service. It's commercially sensitive, so it wouldn't be appropriate for me to discuss it in detail. But I can reassure Mr B the information is comprehensive and persuasive.
- I'm satisfied it shows the premium and excess increases were in line with AXA's general underwriting criteria and any other policyholder would be subject to the same criteria. So he hasn't been treated inconsistently with other customers, or outside of AXA's general view of risk.
- In most cases, that would likely be sufficient to satisfy me Mr B was treated fairly. But, where there's an ongoing or recent subsidence claim, there is an extra factor to take into account. In these circumstances, it can be very difficult for a consumer to find an insurer willing to offer subsidence cover. Most insurers won't offer cover at all. And those which do offer it tend to do so with significantly increased premiums and/or subsidence excess.
- That's why the Association of British Insurers ("ABI") provides guidance to insurers in these circumstances. In summary, if an insurer deals with a subsidence claim for a consumer, the guidance says it's usually good practice for the insurer to offer continuous buildings insurance, including subsidence cover.
- The ABI guidance has been in place for around twenty years and has been routinely followed throughout the home insurance industry during that time. So I'm satisfied it represents longstanding good industry practice – and therefore I would usually

expect AXA to follow it.

- AXA offered a renewal including subsidence cover in 2025. And, with the two endorsements removed, there are no additional limitations to that cover beyond the usual policy terms. So it clearly followed the broad objective set out in the guidance, by offering continuous subsidence cover to Mr B.
- The purpose of the ABI guidance is to enable customers to continue to access subsidence cover. So I think it's an implicit part of the guidance that premiums and excesses will be set at a reasonable level. If either is set unreasonably high, customers may not be able to afford the cover, or the excess may erode much of it. In which case the purpose of the guidance won't be met.
- Taking all of that together, whilst AXA retains the right to take its own view of risk and set the policy terms accordingly, I think that right should be balanced against the purpose of the ABI guidance – and the knowledge that Mr B's options to shop around and move elsewhere are extremely limited for the time being. Otherwise it's unlikely I'd find he was treated fairly.
- The premium has roughly doubled, which I think is a substantial increase. I bear in mind that a general annual inflationary increase contributed to that to a modest extent. And a significant premium increase is common following any claim – but especially where the nature of the claim means it has the potential to be higher value and/or indicates an underlying risk that may impact future claims. In my experience, this increase is at the upper end of the typical range of increases across the industry following a subsidence claim, but not beyond it.
- Similarly for the excess, an increase to £5,000 for subsidence is substantial – but is common across the industry. I take into account that subsidence claims often cost £20,000 - £50,000, and greater costs aren't uncommon. So, whilst £5,000 would be a significant sum to forego in the event of a subsidence claim, it's likely there would still be a great deal of cover available for a typical subsidence claim – and especially a higher value one.
- In these circumstances, I'm satisfied AXA acted in line with the ABI guidance in 2025. Whilst I can't comment on how it may act in 2026 and beyond, I would encourage it to keep the guidance and its purpose in mind.
- Overall, for the reasons given, I'm satisfied AXA acted fairly and reasonably when it increased the premium and excess at the 2025 renewal.

### **My final decision**

I uphold this complaint.

AXA has already removed the two endorsements and sent Mr B policy documents to reflect the change. I'm satisfied that amounts to a fair and reasonable resolution. So AXA doesn't need to take any further action in relation to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 March 2026.

James Neville

**Ombudsman**