

## **complaint**

Mr B and Ms G complain, via their representative, that AXA Insurance UK Plc has underpaid their claim for the repairs to their building following a flood. They also said AXA's payment of a disturbance allowance should've started from the date when the damage occurred.

## **background**

Mr B and Ms G's home suffered a severe flood and they claimed for the damage to AXA under their building insurance policy. Mr B and Ms G's representative said AXA's cash settlement should have an amount for VAT added. He said AXA shouldn't have limited its payment of the disturbance allowance to the period of reinstatement, and it would've cost more if alternative accommodation had been arranged.

AXA said it wouldn't increase its offer of £4,480 disturbance allowance to start from the date of the flood as the kitchen and bathroom were available to Mr B and Ms G throughout the period and its offer of alternative accommodation had been declined. AXA said if Mr B and Ms G incur VAT on the repairs it will reimburse this on production of an invoice.

The investigator said AXA's offer of settlement was correctly calculated and it was right to say it would pay VAT if this was incurred. He said the disturbance allowance isn't a substitute for the alternative accommodation that Mr B and Ms G declined. He said that as they had access to kitchen and bathroom facilities during the period, the offer was fair.

Mr B and Ms G's representative disagreed, saying that as an underinsurance provision had reduced his clients claim, this changed the situation so that VAT should be paid by AXA. He said Mr B and Ms G took the view that as there was no practical alternative they would remain at their home. He requested an ombudsman review their complaint.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm sure Mr B and Ms G realise that significant claims such as theirs involve a great deal of inconvenience. Nevertheless I sympathise with them for the stress they have suffered since their home was flooded.

I can see they were frustrated that there was no alternative accommodation suitable for their needs, however AXA has followed the approach our service would expect in terms of alternative accommodation and payment of a disturbance allowance. I appreciate there may have been increased demands on accommodation due to the flooding, and moving outside of the local area may not have been practical, but AXA isn't responsible for this.

I've looked closely at Mr B and Ms G's policy to see if AXA has settled the claim properly. I can see Mr B and Ms G's representative's point about the cash settlement necessitated by the application of an underinsurance provision. He said that once the average is applied insurers cannot insist on reinstatement being carried out, which effectively they are doing by insisting on VAT invoices.

However, I think that this is looking at the issue the wrong way round. There is no requirement on an insurer to cash settle any claim by adding VAT to the amount. To do this would anticipate a VAT charge that might not be incurred. I don't think this would be fair to an insurer as it would have no way of knowing whether VAT was subsequently incurred in carrying out the repairs to the property.

AXA has said that if Mr B and Ms G incur VAT for the repair work to their home, AXA will reimburse them for this. This is standard practice by insurers, and our service considers this to be fair to all parties.

I think AXA has treated Mr B and Ms G fairly in its handling of their claim and applied the terms of their building insurance policy correctly.

**my final decision**

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms G to accept or reject my decision before 11 August 2017.

Andrew Fraser  
**ombudsman**