

The complaint

Mr F and Mrs F complain about how Aviva Insurance Limited have handled a flood claim on their home insurance policy.

What happened

Mr F and Mrs F have a home insurance policy with Aviva. Following a flood in July 2021, they claimed on their policy for the damage caused to the property and the contents. Aviva reviewed the claim and accepted it. Aviva dried out the property and arranged for repairs to be completed, however when the repair work was due to start the builders said the property hadn't been dried correctly and wasn't habitable.

Mr F and Mrs F spoke with the builders to discuss the work needed and weren't happy with how Aviva intended to complete some of the work. There were also ongoing discussions between Mr F and Mrs F, and Aviva about how much it would pay to replace the damaged contents. Ultimately, due to concerns with how Aviva would repair the property, and discussions about replacing the contents. Mr F and Mrs F opted for Aviva to cash settle the claim. They provided a quote to Aviva for the work needed and asked Aviva to pay the quote for their own builder. Aviva didn't agree and obtained three other quotes. The quotes varied between £70,000 and £125,000.

Aviva originally offered to cash settle Mr F and Mrs F's claim for the lowest of the four quotes. Around 18 months later, following lots of discussion between Aviva and Mr F and Mrs F, Aviva issued a full and final offer to settle the claim for just over £151,000. Mr F and Mrs F didn't agree this was enough and asked Aviva to increase its offer.

While the discussions had been ongoing between Aviva and Mr F and Mrs F, the complaint was referred here. Before our investigator looked into the complaint Mr F and Mrs F confirmed that the outstanding issues were, payment for the strip out works Mr F had done, the amount Aviva would pay for the windows and doors, the amount offered to replace the kitchen, the increased energy use Mr and Mrs F had incurred while the property hadn't been repaired and how the settlement would be paid.

Our investigator looked into the complaint and found that Aviva hadn't handled the claim as well as it should. He found that Mr F and Mrs F had to live in a property which wasn't habitable and had done so for around 18 months. Mr F and Mrs F also have health issues and a young family member which meant they'd been severely affected by living in the property. Because of this, our investigator recommended Aviva pays £2,500 compensation for the poor claim handling.

He also recommended Aviva provide a breakdown of how the kitchen replacement cost had been reached and assess the quote from Mr F and Mrs F, revise the costs for the bathroom supply and fitting, re-imburse Mr F and Mrs F for the increased energy costs for May, June and July 2022, and pay the cash in lieu payment in one lump sum and also without the need for Mr F and Mrs F to replace the contents first.

Since our investigator issued their assessment, Mr F and Mrs F confirmed that Aviva has

made an interim payment of £151,443.28 for their claim. Aviva also confirmed it would be providing a breakdown to Mr F and Mrs F of how it arrived at this figure.

I issued a provisional decision on this complaint on 19 June 2023 where I said:

“Before I issue my decision, I feel it would help to explain my role. We’re an informal dispute resolution service set up as a free alternative to the courts. In deciding a complaint, I focus on what I consider to be the heart of the matter rather than commenting on every issue in turn. This isn’t intended as a discourtesy to either party. Rather it reflects the informal nature of our service, its remit and my role in it.

It’s not our role to claim handle, as we’re a dispute resolution service. Aviva hasn’t issued a final response, or if it has, one hasn’t been provided to this service so it’s not clear on Aviva’s position on the complaint. Our investigator has also spent a considerable amount of time going between Aviva and Mr F and Mrs F to reach the settlement which has been proposed.

Aviva’s responsibilities under the policy are to assess claims fairly and promptly. When doing so, it should also communicate with its customers in a clear fair and not misleading way. Given this claim has been ongoing for almost two years and the interim payment has only just been made I’m not satisfied Aviva has met its obligations. It’s even more disappointing to see that Mr F and Mrs F have been severely impacted by this poor claim handling. While I’m not going to list all the issues again, I’m satisfied £2,500 is fair and reasonable compensation for the distress and inconvenience caused by this claim taking so long and Mr F and Mrs F having to live in a property for 18 months which wasn’t habitable. Therefore, Aviva needs to pay this amount to Mr F and Mrs F if not already done so.

In regard to the settlement of the claim, I can see Aviva has paid Mr F and Mrs F £151,443.28. I understand when this figure was originally communicated to Mr F and Mrs F they didn’t think it was enough. This was mainly focused on the kitchen costs, bathroom costs and the cost for the replacement doors. I’m also aware that Aviva was requesting further information about these and giving Mr F and Mrs F a breakdown of how it’s reached its settlement. It’s not clear if Aviva has provided a breakdown of how it’s calculated the settlement to Mr F and Mrs F. Therefore, if Aviva hasn’t provided a breakdown of these costs, then it needs to do so within 28 days of my final decision and provide a detailed breakdown of how it’s calculated the settlement for the kitchen, bathroom and the doors and windows.

If Mr F and Mrs F are then unhappy with the final amount Aviva has paid, they will need to raise that as a separate complaint as I’m not making a finding in this decision on what Aviva has paid. This is because while this claim has been ongoing for a long time. It’s only since Aviva made its interim payment and provides the breakdown of how it’s reached that amount that Mr F and Mrs F will be able to raise concerns about it. And so, as that breakdown looks like it should have been provided to them in April 2023, and this complaint was referred to us in July 2022, I’m not going to make a finding on it in this decision, as it’s not the complaint which was originally referred to us.

I understand Mr F and Mrs F maybe disappointed with my decision, however as explained above. We’re a dispute resolution service and not claims handlers, therefore if they’re unhappy with the cash settlement of over £150,000 which Aviva has recently made. That would need to be raised as a new complaint.”

Aviva didn’t respond to my provisional decision. Mr F and Mrs F responded and asked for clarification on what Aviva had paid. In particular they asked for clarification on the energy costs, flooring costs and the Kitchen and Bathroom costs. They said our investigator had

said some of their quotes would need to be paid if Aviva couldn't provide a breakdown of how it had reached the amount it had offered. They also said some of these issues have been raised since July 2022 and so didn't agree they would need to be raised as a new complaint.

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 reviewed Mr and Mrs F's response, but it's not persuaded me to depart from the findings in my provisional decision. While I do empathise with Mr and Mrs F's situation as Aviva hasn't handled their claim well, however I'm not going to direct Aviva to do anything further than outlined in my provisional findings. This is because Aviva has recently paid a cash in lieu settlement of their claim. While Mr and Mrs F have questions over the amounts paid by Aviva, without the breakdown of how this figure has been reached it's not possible to say whether the amount Aviva has paid is a fair and reasonable settlement to their claim.

I understand Mr and Mrs F has been questioning the amount Aviva offered since July 2022, but at that time the offer made by Aviva was less than half the cash in lieu payment its now made. Therefore, Aviva needs to provide Mr and Mrs F the breakdown of how the cash in lieu settlement has been reached, within the next 28 days, so Mr and Mrs F can review it and decide whether it's one they accept. If it isn't, then Mr and Mrs F will need to raise a new complaint with Aviva outlining why they're not happy with the settlement of over £150,000. If Mr and Mrs F then aren't happy with Aviva's response they're able to refer that complaint her for us to consider.

My final decision

For the reasons explained above and in my provisional decision, I uphold this complaint. I require Aviva Insurance Limited to:

1. Provide Mr and Mrs F a detailed breakdown of how it reached the cash in lieu settlement of over £150,000. This needs to be provided within the next 28 days
2. Pay Mr and Mrs F £2,500 for distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 4 August 2023.

Alex Newman
Ombudsman