

The complaint

Mr and Mrs B complain about the AA Underwriting Insurance Company Limited's (the AA) settlement offer, following a claim under their home insurance policy.

What happened

Mr and Mrs B had a leak at their home that caused damaged to flooring and kitchen units. They made a claim to the AA. Due to the delay, in the AA appointing a contractor to carry out the reinstatement works, it agreed for Mr and Mrs B to instruct their own contractor.

Mr and Mrs B found a contractor and submitted the quotes to the AA. They said that the AA offered them a cash settlement that was £595 short of the total repair costs, which they said the AA ought to pay.

Mr and Mrs B also said that they had to arrange for alternative accommodation and saved the AA money by staying with relatives and their caravan, provided that the AA paid for the site fees of the caravan. The AA paid for the site fees, but Mr and Mrs B said that their policy provided cover of up to £40,000 and they could've been accommodated at a more suitable accommodation.

Mr and Mrs B were unhappy by the service they received from the AA and complained. In its final response, the AA said that the cash settlement that it offered took into account that there had been some of Mr and Mrs B's possessions that weren't damaged. It also said that the cash settlement that it offered would be based on what it would've cost the AA to have its contractors complete the renovations, which is in the policy terms and conditions. So, it wouldn't be increasing the cash settlement.

Mr and Mrs B were still unhappy with the outcome and as they had been given their referral rights, referred a complaint to our service. One of our investigators considered the complaint and thought it should be upheld. She said that the AA shouldn't be allowed to rely on its own discounted rates, as it had told Mr and Mrs B to use their own contractor. She also said that because of the delays and the stress that this event caused, the AA should pay Mr and Mrs B £200 compensation for the trouble and upset caused. Finally, she said that she was unable to consider the issue regarding the alternative accommodation, as Mr and Mrs B hadn't raised this complaint with the AA.

Mr and Mrs B accepted the view, the AA did not respond directly to the view but provided a detailed breakdown of all the cash payments it had made, which excluding the payments it made for the alternative accommodation, amounted to £6,317.43, which exceeded Mr and Mrs B's contractor's fees of £5,280. As the AA didn't respond, the complaint was referred to an ombudsman for a 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.

I considered the complaint, and I thought the complaint should be upheld. I issued a provisional decision on 6 September 2023 and asked both parties to send me anything else by 4 October 2023. In my provisional decision I said:

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of the complaint.

Having done so, I'm minded not to uphold this complaint. I understand that this is likely to be a disappointment to Mr and Mrs B, but I hope my provisional findings explain why I think this is fair.

I have considered all the comments from both parties, as well as the policy terms and conditions. I think the main issue of this complaint is whether the AA were fair in its cash settlement.

Mr and Mrs B said that the AA ought to pay the shortfall of £595, as they felt that following the leak, the policy they had, should've put them back into the same position pre loss. So, I've had a further look into this.

The relevant policy terms and conditions state that either the AA will provide trades people to carry out the repair. Or Mr and Mrs B can obtain their own contractors, with the proviso that any costs will be limited to the amount it would've cost the AA to carry out the repairs. And the amount they would receive could be lower than the cost charged by its suppliers.

Mr and Mrs B provided their contractors breakdown of costs. The total amount that it cost them was £5,280.

Mr and Mrs B said that the AA offered them a cash settlement of £4,685, which meant there was a shortfall of £595.

I asked the AA for a full detailed breakdown of all the costs and monies paid to Mr and Mrs B. It provided the following:

- '£211.00 30th June 2022 (alternative accommodation)
- £417.60 6th July 2022 (alternative accommodation)
- £100.00 11th July 2022 (alternative accommodation)
- £4685.37 28th July 2022 (£4985.37-£300.00 excess) (settlement figure)
- £1417.00 1st August 2022 (repairs to house and electrical usage)
- £215.06 10th September 2022 (repairs to house)'

I have excluded all the costs relating to the alternative accommodation, as any issues regarding these payments, haven't been previously raised with the AA. In any event, the AA said that it was Mr and Mrs B who chose the alternative accommodation.

This leaves a total of £6,317.43 that the AA has paid to Mr and Mrs B, in respect of their claim. I accept that some of that figure was for reimbursement of the extra electricity used during the drying process. But, despite this, and allowing for the electricity costs, I think the AA has already paid in excess of Mr and Mrs B's contractor costs.

I acknowledge Mr and Mrs M's strength of feeling about this complaint and the reason why they referred it to our service. But, in the overall circumstances of this complaint, I haven't seen enough evidence to show that the AA acted unfairly. Nor do I agree that it ought to pay any further money in respect of Mr and Mrs B's claim. Unless Mr and Mrs B have evidence that refutes the payments made to them above, then currently, I'm not going to tell the AA to do anything further here.

Responses to my provisional decision

Mr and Mrs B said that the AA had not paid them all the settlement money that had been indicated. In particular they said that £1,400 was return to the AA, after it had discovered that they had been paid this amount in error. They provided copies of their bank statement to show that the money was returned to the AA.

They said that a further £215.06 had never been paid to their account. They maintained that the AA had to pay them the shortfall of £595.

The AA in response, provided further details that showed all of the payments it had made to Mr and Mrs B. Those payments included the £1,417 and the £215.06.

The AA confirmed that it had advised Mr and Mrs B to obtain quotes for the reinstatement work, which it would then review. It offered this as it told Mr and Mrs B that it could carry out the reinstatement works but the lead times were longer.

I have carefully considered all the comments made by both parties.

Turning to the £1,417, the AA said that it had paid Mr and Mrs B the full amount. I have reviewed this further and from the evidence that the AA sent to me, it appears that an overpayment had been made in error to Mr and Mrs B. This related to a payment for the use of electricity during the drying process. It appears that the AA miscalculated the cost.

Mr and Mrs B said that they had refunded £1,400 as this was the overpayment.

In addition, Mr and Mrs B said that they didn't receive the £215.06. From the evidence, it appears that this (in addition to the £17 from the overpayment) related to the extra electricity that was used by Mr and Mrs B during the drying process.

Further, I'm satisfied that the AA made both the £1,417 as well as the £215.06 payments. But I do think that Mr and Mrs B returned £1,400 as it appears from the evidence that this was an overpayment made in error by the AA. Despite this, I don't think it's reasonable for the AA to pay the shortfall to Mr and Mrs B. And I'll explain why I think this is fair.

Mr and Mrs B said that the AA ought to pay the shortfall to put them back into the pre-loss position. Whilst I accept that this is one of the reasons of having an insurance policy, Mr and Mrs B policy did not have matching sets cover. Which meant that the AA was unable to replace the whole kitchen, which ultimately, Mr and Mrs B chose to do.

In these circumstances, I don't think it's fair that the AA reimburse all of the costs of the kitchen. In addition, it said that Mr and Mrs B provided a few quotes, and it based its settlement offer on one of those quotes. It seems that Mr and Mrs B initially accepted the settlement and were aware that matching sets cover wasn't on the policy they held.

In addition, the AA explained that Mr and Mrs B were offered the option of either using its contractor to carry out the reinstatement works, but it was likely that there would've been a

delay in doing this. Or take a settlement offer, which is what they chose to do. But that offer wouldn't have included a payment for the undamaged units and it would be based on the quotes that they provided.

Moreover, the settlement payment would normally be made based on what it would've cost the AA to carry out the repairs, which is usually at a discounted rate than a policyholder is able to obtain. But in this case, the AA offered and paid the settlement based on one of the quotes that Mr and Mrs B obtained, which I think is fair. So, I'm unable to agree that the AA was unfair in its settlement offer.

I acknowledge Mr and Mrs B's strength of feeling about this complaint and the reason why they referred it to our service. But, in the overall circumstances of this complaint, I haven't seen enough evidence to show that the AA acted unfairly. I'm therefore not going to tell it to do anything further here.

My final decision

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 27 November 2023.

Ayisha Savage
Ombudsman