

The complaint

Mr P complains about the way AXA Insurance UK plc has handled a claim he made under his buildings insurance policy following a water leak.

Reference to AXA includes agents and representatives.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- Mr P got in touch with AXA in April 2021 about a damp problem in his basement. AXA investigated and found a leaking pipe below the floor. I understand Mr P arranged to have this repaired by a different insurer in June. AXA then took steps to dry the affected area and schedule the building repairs.
- By December 2021, AXA said there was a problem with the tanking, unrelated to the water leak, which wasn't covered because it was a pre-existing issue. So Mr P would have to deal with it himself. It thought the tanking was allowing water in, which meant the basement couldn't be dried, so AXA stopped the drying work. AXA said the building repairs would cost around £4,000, less the excess.
- Mr P spent around £6,000 having the tanking put right in March 2022. He told AXA he was concerned there remained a leak and the pipework had corroded, which may lead to further leaks. AXA said Mr P should look into that himself. He employed a leak detection company who said there was a second leak – and the first one had only been temporarily repaired. It also noted moisture may be trapped in the structure of the building. The second leak was repaired.
- AXA offered to settle the claim based on its earlier building repair valuation of £4,000, less a second excess due to the second leak. It didn't offer to pay for the leak detection or second pipe repair.
- In July 2022, AXA agreed to visit Mr P to consider the claim further – but that didn't go ahead and he complained. He asked AXA to pay to deal with the pipework on the basis it was damaged by the original leak, pay for the tanking, as well as the costs he'd incurred for leak detection and repairing the second leak.
- AXA apologised the meeting was cancelled without informing Mr P and offered £100 compensation. Mr P got back in touch with AXA after this to find out what the next steps were for the claim. When he received no response, he complained again. AXA didn't respond, so Mr P referred this complaint to this Service.
- By January 2023, he began carrying out work to reroute pipework to avoid any further leaks in the basement, and make good the building damage, at a cost of around £25,000.

- Our investigator thought AXA should reconsider the claim as it hadn't shown it would be fair to decline it. She also asked it to pay £300 compensation. AXA agreed to this. Mr P questioned whether this would meaningfully move things forward. And as he'd carried out the work required to put things right, he asked for his costs to be met. He provided invoices for the work.
- AXA considered the invoices Mr P provided. It said there wasn't enough information to explain what work had been done and why. It offered to settle the claim for around £4,000, based on its initial estimate of the costs involved.
- Our investigator looked at things again. She said AXA should meet Mr P's costs in full, plus interest, as she thought the claim was covered and he'd been left to resolve the problem without AXA's input. She maintained it should pay £300 compensation.
- AXA reiterated it didn't have enough information to make a fully informed assessment of the claim, but it was prepared to consider the claim further. It also noted there were relevant policy limits that may impact the settlement.
- As an agreement wasn't reached, the complaint has been passed to me.

My provisional findings

I issued a provisional decision in which I said:

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

- The policy covers damage caused by escape of water, subject to an excess. It also covers the cost of tracing and accessing an escape of water, up to £7,500 per claim and repairing the cause of the leak, up to £250 per claim.
- There's no dispute the building suffered damage as a result of a water leak in April 2021. AXA has accepted the claim and made an offer of around £4,000 to settle it. That's based on the building damage as it was in September 2021. At that time, the property hadn't been fully stripped out and dried, there's since been a second leak, and Mr P has subsequently had work carried out. So I don't think that figure is relevant any longer. AXA has agreed to consider the costs submitted by Mr P, bearing in mind the policy cover noted above.
- I know Mr P is concerned that leaving AXA to consider the claim involves the risk it will prolong things further and the communication problems he encountered may continue. I understand his concern given the way the claim has been handled so far, but I think that's the fair thing to do in this case. I'll explain why.
- Mr P would like AXA to pay his cost of repairing the tanking, at around £6,000. I would only expect it to do so if the tanking was damaged by the escape of water or its repair was necessary in order to ensure a lasting and effective repair of the escape of water damage. AXA says the tanking damage was a 'pre-existing' issue, but the only evidence it's provided to support that position is a brief comment about it. I'd expect to see a report, supported by investigation, to set out clearly and thoroughly a professional opinion about the tanking. I haven't seen anything like that from AXA. However, neither have I seen any evidence from Mr P to challenge what AXA has said. So there's simply not enough information about the tanking for me to make a finding either way. As a result, I think it's appropriate for AXA to consider it.

- Mr P would also like AXA to pay his cost for dealing with the pipework. I understand he had them rerouted as a more cost effective solution than repairing or replacing them, given they're under a concrete floor. Again, I would only expect AXA to do so if the pipework was damaged by the escape of water or its repair/reroute was necessary in order to ensure a lasting and effective repair of the escape of water damage. I haven't seen any evidence from either party about this. So, again, there's simply not enough information about the pipework for me to make a finding. As a result, I think it's appropriate for AXA to consider it.
- Mr P has also submitted costs for the reinstatement of the building. Any costs directly associated with putting right the damage caused by the escape of water should be covered. I would only expect AXA to pay any costs associated with making good following the tanking work if it pays for the tanking work itself. And the same for rerouting the pipework.
- Given the lack of evidence, and the significant costs involved, I'm not persuaded it would treat either party fairly for me to make a finding on these points. But I would expect AXA to investigate the points above promptly and fairly, and put a revised offer to Mr P to settle the claim.
- There are some aspects of the claim that I think can be resolved now and limit the aspects that will remain outstanding.
- The policy covers up to £7,500 to trace and access a leak. I've seen that Mr P paid two invoices from the leak detection company – for £570 and £615. The first was paid on 31 May 2022. Mr P should confirm when he paid the other amount. I understand these costs were to locate the second leak, so they're covered. AXA should pay these amounts to Mr P, plus interest as he's been without the money much longer than he ought to have been.
- The policy also covers up to £250 to repair the cause of the leak. I understand Mr P paid to have the second leak repaired, although I haven't seen an invoice for it. He should provide the invoice and evidence of when he paid it in response to this provisional decision. If so, I'll require AXA to pay up to £250 for it, plus interest.
- If Mr P has any other trace and access and/or pipe repair costs, he should set them out in response to this provisional decision, with evidence.
- Whilst there was a second leak, AXA said this didn't cause any additional damage. So I don't understand why it charged a second excess. Unless it can show additional damage was caused by the second leak, it should only register one claim and charge one excess. This should be taken into account when settling the claim.
- Mr P has raised a concern that the first pipe repair was unsatisfactory. That wasn't carried out by AXA but by another insurer providing home emergency cover. Any concern about that repair or any costs which have flowed from it should be directed to the other insurer, not AXA.
- AXA has a duty to handle claims promptly and fairly. That includes progressing the claim at a reasonable pace, keeping the policyholder updated regularly and with meaningful information, and guiding them through the claim process.
- I've reviewed the history of this claim and thought about the way AXA handled it.

Having done so, I'm not satisfied it fulfilled that duty. I'll explain why.

- The claim is currently around two and a half years old. Yet, as above, AXA's position on the key issues is unclear. I would usually expect a claim of this nature to be resolved significantly quicker than this. Bearing in mind the scale of the problem and the complexity of resolving it, I think six months would have been reasonable. That means two years of avoidable delays. During much of that time, the damage remained and the basement couldn't be used as normal. It had been decorated to a high standard and was used frequently by the family, so that caused disruption to them for a prolonged period of time.
- During the claim, there has been poor communication from AXA, such as not responding to Mr P promptly, giving unclear or contradictory messages. And it cancelled the meeting in July 2022 without telling him. Looking over the claim notes, I can see many different members of staff worked on the claim at different times but seemingly without awareness of the history of the claim. That led to avoidable problems. Some left notes saying the claim needed a thorough review, which is fine in principle, but that review didn't happen. Because responsibility wasn't taken for progressing the claim promptly and fairly, Mr P's claim experience was significantly more distressing and inconvenient than it ought to have been.
- AXA offered £100 for missing the appointment. And it later agreed to pay the £300 our investigator suggested. But I don't think these amounts go far enough to reflect the distress and inconvenience to Mr P as a result of AXA's poor handling. I consider a total of £1,000 compensation is fair and reasonable in the circumstances. Any compensation amounts already paid can be deducted from this total.

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.

Mr P responded to make a number of comments. I'll take each one in turn.

- Mr P said the original leak was located and repaired temporarily by AXA – not another insurer as I'd said. I've looked again at the file, and I don't agree.
- AXA referred Mr P to his home emergency insurer to find and repair the leak. Whilst that insurance is part of the overall H branded product Mr P had, the home emergency cover is a separate policy provided by another insurer. I can't name them here, but it's set out in Mr P's renewal documents. So I remain satisfied that any problem related to the first pipe repair isn't something I can hold against AXA.
- Mr P said he wasn't asking AXA to pay for the tanking as it was a repair to pre-existing damage. He's asking AXA to pay for the pipework and building repairs, which cost around £25,000. I'm sure AXA will take that into account when considering how to settle the claim fairly.
- Mr P said he'd provided evidence from the leak detection company which showed the pipework had been corroded by the two leaks – so its repair or re-routing should be covered under the escape of water section of the policy.
- Whilst the pictures in the report do appear to me to show corroded pipes, the report doesn't say the pipes have been corroded – nor what the cause of any such

corrosion might be. I agree with Mr P that the reports mention standing and/or trapped water. But a link isn't drawn between the water leaking from the pipe and the damage to the pipe. It's possible the pipes were damaged before the water leak. So, as it stands, it's not clear that the pipework was damaged by the escape of water or its repair/reroute was necessary in order to ensure a lasting and effective repair of the escape of water damage. But the possibility remains, which is why I think AXA's suggestion to consider it further is reasonable in the circumstances.

- Mr P asked me to reconsider whether it would be fair to let AXA investigate the outstanding points and make a revised offer. I remain satisfied it would be fair for it to do so in this case. For the reasons I gave in my provisional decision, I think the lack of evidence in favour of either party means it would be unfair for me to make a finding on this. AXA has offered to consider the settlement further and I'm satisfied that's a reasonable way forward. But I remind AXA that it must do so promptly and fairly.

AXA also responded with a number of comments, so I'll take those in turn too.

- AXA said it had paid £250 toward the pipework re-route. But it didn't think it should pay anything further for the pipework as it thought the work to re-route it was a preventative measure.
- This means it's paid up to the policy limit for the repair of a leaking pipe. However, the remainder of the cost of the re-route *might* be covered, at least to some extent, in other ways. If trace and access costs were or would have been incurred to carry out the repair, there's also cover for that. Or if, as Mr P argues, the pipework was damaged by the escape of water or its repair/reroute was necessary in order to ensure a lasting and effective repair of the escape of water damage, there's also cover for that. I haven't seen any evidence to show these possibilities have been ruled out, so AXA will need to think about them as part of considering what a fair settlement offer would be.
- AXA said there was no resultant damage from the second leak, so it wouldn't log a second claim. But it would charge a second excess as a second loss was being claimed for. It would do this because the policy limits for a repair and trace and access apply per *claim*, not per *leak*. It said it would typically take a pragmatic approach based on what would be more beneficial to the policyholder.
- I would like AXA to keep that approach in mind when it considers how to settle the claim. Depending on the outcome of AXA's considerations, it should go on to consider whether a second excess, which would give rise to a second set of policy limits, would be beneficial in this case, and factor that into its revised settlement offer.

Having considered the responses to my provisional decision, I remain satisfied the remedy I set out is fair in the circumstances.

The next steps are for AXA to consider the claim settlement, bearing in mind the work Mr P had carried out – for around £25,000 – the potential ways it could be covered, and the possibility of a second excess and set of policy limits. And to make the payments noted.

My final decision

I uphold this complaint and require AXA Insurance UK plc to:

- Consider the claim settlement, as set out above.

- Pay £570 for leak detection.
- Pay interest on this amount at 8% simple per year, from 31 May 2022 to the date of settlement*.
- Pay £615 for leak detection.
- Pay interest on this amount at 8% simple per year, from the date Mr P paid the invoice to the date of settlement*.
- Pay a total of £1,000 compensation**.

*If AXA considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr P how much it's taken off. It should also give Mr P a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

**AXA must pay the award within 28 days of the date on which we tell it Mr P accepts my final decision. If it pays later than this, it must also pay interest on the award from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 December 2023.

James Neville
Ombudsman