

The complaint

Mrs W complains about AA Underwriting Insurance Company Limited's handling of her home insurance claim, including the settlement amount offered.

Mrs W is named as the policyholder for the insurance. She is represented in this complaint by her husband, Mr W.

AA is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As AA has accepted it is accountable for the actions of the agents, in my decision, any reference to AA includes the actions of the agents.

What happened

In April 2022, Mr and Mrs W's property was damaged while their neighbour was having an extension built. Mr W notified AA of the damage. He said the neighbour had arranged for a structural engineer to assess the damage and he would update AA if they needed to claim on the policy.

Mr W arranged for an independent surveyor to carry out a condition survey and obtain tenders for repairing the damage.

In October 2022, Mr W told AA he and Mrs W wanted to claim under the policy. AA arranged for a surveyor to visit the property and compile a report. It told Mr W it would consider the claim under the accidental damage section of the policy.

Mr W wasn't satisfied that AA's surveyor had considered the full extent of the damage. AA arranged for another surveyor to attend the property and create a scope of works. Following this, AA made a cash settlement offer based on the cost it said it would incur if it used its own suppliers.

Mr and Mrs W were unhappy with the amount AA offered, which was much lower than they'd been quoted for repairs. They also raised concerns about delay in progressing the claim and the service they'd received from their claims handler.

In response to their complaint, AA said it wasn't able to uphold the element relating to the settlement. However, it had identified a delay in the first surveyor presenting their report to AA as well as occasions when the case handler hadn't responded to Mr W's requests for updates. It paid them £150 to compensate them for the poor service they'd received.

Mr and Mrs W remained unhappy and asked our service to consider their concerns. Our investigator thought the complaint should be upheld. She wasn't satisfied AA's scope of works was sufficient to put right everything that should be covered by the claim. However, she didn't think repairs to the roof, or the replacement of windows and doors were covered. She also wasn't persuaded that alternative accommodation was necessary while repairs were being carried out.

Our investigator recommended AA expand its scope to cover all the work that had been set out in Mr and Mrs W's quotes excluding repairs to the roof, replacement of windows and doors and removal services and alternative accommodation. She said that if AA was unwilling to carry out the work, it should cash settle it in line with the lower of Mrs W's quotes after it had been updated based on this year's prices.

AA accepted our investigator's findings and said it would like to organise its own contractors. Mr and Mrs W also agreed with our investigator's findings regarding the scope of works. However, they were concerned about AA's contractors carrying out the repairs as it had previously been unable to give a timescale for the work to be carried out.

AA said it couldn't give a timescale. It expected the work to take around four to six weeks and the lead time might be a further six weeks. It said it would need to attend, review and then agree the schedule of works and order materials and at that point it would know. It said it would need to either resurvey or have its contractors attend to provide an updated scope of works, even if it was to agree a cash settlement.

Mr and Mrs W agreed for AA to go ahead and settle the claim in line with our investigator's recommendation. Our investigator advised AA of this. However, four weeks later Mr W said he'd heard nothing further from AA and asked for the complaint to be moved to an ombudsman for a decision.

A few days later, AA contacted Mr W and told him it had appointed a contractor who would be in contact to arrange an appointment to visit, inspect and survey the internal and external damage. It said it would provide the schedule of works for Mr W's agreement and then arrange for the repairs to be completed.

Mr W declined the attendance of AA's contractors and said he wanted the case to be considered by an ombudsman. So, the complaint has been passed to me to decide.

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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

Mr W has questioned why AA considered the claim under the accidental damage section of the policy.

I understand that Mr and Mrs W decided to claim under their home insurance policy after attempting to pursue third parties for the costs of repairing damage to their property.

To be able to claim under a policy, a policyholder needs to show that the damage or loss was caused by an insured peril. The policy's terms and conditions list a number of perils that loss or damage to Mr and Mrs W's building was insured against. One of these is "*accidental damage*", which is defined in the policy as "*unexpected and unintended damage caused by sudden and external means*."

I understand the damage to Mr and Mrs W's property was caused by piling work taking place due to the construction of their neighbour's extension. Having reviewed the policy's terms and conditions "*accidental damage*" appears to be the only peril that the damage could be considered to be caused by. So, I think it's reasonable for AA to consider the claim under this section of the policy.

Both parties agree with our investigator's findings regarding the extent of the damage covered by the claim. And I agree with the conclusions our investigator reached regarding alternative accommodation and storage. So, I haven't considered these matters any further.

However, Mr W doesn't think it's necessary for AA to reattend the property as it has already visited twice before. He feels that the report he's supplied from his own surveyor should be sufficient.

Mr W is concerned that AA wasn't able to give him a timeframe for the work to commence. He's also unhappy that AA delayed contacting him after our investigator had informed it of Mrs W's acceptance of her findings regarding this complaint. He says AA's handling of the claim has had a negative impact on his mental health. So, he wanted his case to be moved to an ombudsman.

I thought it would be helpful to provide some clarity about the Financial Ombudsman Service's role and the scope of the complaint that I'm deciding. Our role is to resolve disputes between complainants and financial businesses, to help both parties move on. It isn't our role to handle a claim or to deal with matters as they arise.

I appreciate Mr W is frustrated that AA wants its contractor to carry out another survey before arranging the repairs. However, I'm not persuaded that this is unnecessary or unreasonable. AA's previous scope of works didn't include damage that AA now agrees should be covered. The survey Mr W arranged himself was carried out in May 2022 and AA's surveys took place in early 2023. So, I think it's understandable that AA would want to review the current condition of the property before commencing work or calculating a revised cash settlement offer.

I understand that Mr and Mrs W would like some certainty about when the work would be carried out by AA's contractors. But AA has said it is unable to give a precise timeframe until the schedule of works has been agreed and the materials have been ordered. I don't think this is unreasonable.

AA says the delay in contacting Mr W after our investigator informed it of Mrs W's acceptance of her outcome was due to some internal miscommunication. I appreciate it was frustrating for Mr and Mrs W that AA didn't contact them sooner and it also missed a deadline set by our investigator. However, I can see that AA contacted Mr W just over a month after the investigator notified it of their acceptance, informing him that it had appointed its contractor. The contractor appears to have contacted Mr W shortly after this, but Mr W declined their attendance.

The policy's terms and conditions set out how AA will settle a claim as follows:

"At our option we will:

- repair or rebuild the damaged part using our suppliers; or*
- make a cash payment if you wish to use your own supplier.*

If we make a cash payment, we will only pay you what it would have cost us using our suppliers and therefore the amount you receive may be lower than the cost charged by your suppliers..."

AA says it would like its own contractors to carry out the work. It says it would be willing to provide a cash settlement if Mr and Mrs W would prefer to use their own suppliers. However, a cash settlement would be based on the costs to AA of completing the work using its suppliers. It says an increased settlement would need to be agreed following an updated

costs to AA, so AA would need to either resurvey or have their contractors attend to provide the updated scope of works. AA has agreed to expand its scope of works as our investigator has recommended and settle it in line with policy's terms and conditions. I think this is reasonable.

Mr and Mrs W have also raised concerns about AA's communication with them and delays in progressing their claim. I understand that this has been a stressful situation for Mr and Mrs W. But AA needed to review the damage and establish if there was cover under the policy and this took some time. AA has acknowledged a delay in the first surveyor providing the report and several instances where the claims handler didn't respond to Mr W in a timely manner and has paid them £150. I think this fairly recognises the impact these customer service issues had on them.

Putting things right

AA should deal with the claim, expanding its scope to cover all the work that has been set out in Mr and Mrs W's quotes, except for the following:

- Repairs to the roof
- Replacement of windows and doors.
- Removal services and alternative accommodation.

AA should settle the claim in line with the policy's terms and conditions by either repairing the damage using its own suppliers or making a cash payment. If Mr and Mrs W choose a cash settlement, AA may limit this to what it would have cost it to use its suppliers.

If AA is unwilling or unable to carry out the work itself, it should base the cash settlement on Mr and Mrs W's reasonable costs of using their own suppliers, using the updated quotes provided.

My final decision

For the reasons I've explained, I uphold Mrs W's complaint and direct AA Underwriting Insurance Company Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 18 January 2024.

Anne Muscroft
Ombudsman