

## **The complaint**

Mrs A and Mr A complain that Aviva Insurance Limited haven't covered all the costs of repair arising from their escape of water claim or compensated them for the distress and inconvenience caused.

## **What happened**

Mrs A and Mr A held a buildings and contents insurance policy with Aviva and in May 2023 they made a claim for an escape of water which damaged their dining room ceiling.

Aviva offered to cash settle the claim and initially offered £1494.76 based on their own contractor rates. Mrs A and Mr A obtained two quotes for the work of £2950 and £2600 and so they said Aviva's offer wasn't enough to complete the repairs.

After they complained, Aviva increased their offer to £1900 and made payment to Mrs A and Mr A for this amount, minus their excess.

Mrs A and Mr A complained about this offer still being too low, and also said that there were significant delays in settling the claim.

Aviva didn't uphold Mrs A and Mr A's complaint and so they brought their complaint to us.

One of our investigators looked into Mrs A and Mr A's complaint. He recommended that Mrs A and Mr A obtain three quotes for the work in accordance with the scope and that Aviva should meet one of these. He also recommended Aviva pay £250 for the distress and inconvenience caused.

Neither Aviva or Mrs A and Mr A agreed with this outcome and so the matter has come to me to review

## **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 have to decide whether Aviva have acted fairly and reasonably, and in line with the terms of the policy.

## **Cash settlement offer**

The final cash settlement Aviva offered for repair and reinstatement was £1900 minus the £750 excess. I understand that payment has already been made. Mrs A and Mr A complain that they are unable to get the repairs completed for this amount.

The policy terms at page 21 say that:

## 2. Settling claims (except liability)

*We can choose to settle your claim by repairing, rebuilding, giving you an equivalent replacement or making a payment. If we are able to repair, rebuild or replace your property but agree to settle using cash or a voucher we will only pay you what it would have cost us to repair, rebuild or replace it”.*

I'm satisfied that under this policy term, Aviva are entitled to choose how to settle the claim - either by repairing or with a cash payment - and in this case they have chosen to cash settle.

However, I don't think that it is then fair for Aviva to restrict the value of the cash settlement to their own contractor rates. The second part of this policy term allows Aviva to restrict the value of the cash settlement to their own contractor rates if they are **able** to repair, rebuild or replace, but **agree** to settle with cash. In Mrs A and Mr A's case, Aviva have given mixed messages about why they are offering a cash settlement. Initially in May 2023 they said that this type of policy doesn't have the use of the contractor's network (even though there is no evidence of this in the policy terms) and then in August and September Aviva said that there was no contractor available to complete the work.

So I think it's fair to say that by Aviva's own admission, they weren't **able** to, and neither did they offer to repair, rebuild or replace - so I therefore don't consider that the policy term allowing them to restrict the cash settlement to their own contractor rate applies. I also don't think it is fair for them to do so as Mrs A and Mr A had no alternative but to use their own contractor.

I've then thought about what a fair settlement is to complete the work. I can see that Mrs A and Mr A have provided two quotes to Aviva, one for £2600 and one for £2950. These both appear to be for the same scope of work. I would consider it fair and in line with industry practice for a consumer to obtain three quotes for consideration, and so I agree with the investigator that Mrs A and Mr A should obtain three updated quotes for the agreed work and submit these to Aviva. Aviva can then choose which of these they wish to pay.

### **Distress and inconvenience**

When things go wrong, consumers expect that an insurer will step in and resolve their issues quickly and fairly, and so I can understand that Mrs A and Mr A have found it disappointing that this matter has not been straightforward and has taken longer to resolve than they expected. So I've thought about whether Aviva were responsible for the delays and the issues in this case.

I can see that Aviva did originally ask for three quotes shortly after the leak in May 2023. Mrs A and Mr A provided two quotes in May 2023, one for £2600 and one for £2950. Aviva attempted to validate the claim using these quotes but weren't able to. One of the contractors didn't answer his phone and Aviva had concerns about the validity of this quote. The other quote didn't include some of the materials. It's not unusual for an insurer to make these sort of enquiries, and so I can't say that delays caused by the attempts to validate the claim were unreasonable for a short period, and I can see that in August Aviva made Mr A aware of their concerns about the quotes.

However, the delays then extended further. After the initial settlement offer was made, and Mr A complained, and Aviva increased their offer to £1900 in November 2023 but it still wasn't in line with the quote Mr A had provided.

I can't see that from August 2023 onwards Aviva did anything to tell Mrs A and Mr A that he needed to provide a third quote to get this matter resolved. In addition, they were comparing Mr A's quotes to their contractor rates rather than against each other as they should have been. For the reasons I've given above I don't think this was relevant, as using their own contractors wasn't an option and so any cash settlement would have to be in line with the actual costs to Mrs A and Mr A. And so I'm satisfied that there was some delay here which Aviva caused by not being clear about what was required to settle the claim, and they weren't correctly applying the policy terms in terms of determining the cash settlement. This has caused some unnecessary delay and distress and inconvenience to Mrs A and Mr A, and so I agree with the investigator that an award of £250 should be paid by Aviva in respect of this.

Mrs A and Mr A have also complained about Aviva's complaints handling process. Our service can consider complaints about regulated financial activities, like claim handling, but we can't consider how a business has handled a complaint, as complaints handling isn't a regulated financial activity. And so I'm not able to make any findings of recommendations about this.

### **Putting things right**

In order to put things right, Aviva should:

- Pay £250 for the distress and inconvenience caused

And either:

- Use their contractor to complete the works (Mrs A and Mr A would need to refund payments made) or;
- Ask Mrs A and Mr A to provide three detailed quotes in line with the scope of works, at current prices, and pay for one of these (less any excess and payments already made), so the required works can be completed

### **My final decision**

My final decision is that I'm upholding Mrs A and Mr A's complaint and directing Aviva Insurance Limited to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 2 May 2024.

Joanne Ward  
**Ombudsman**