

The complaint

Mr and Mrs I complain AXA Insurance UK Plc unfairly removed subsidence cover from their home insurance policy.

AXA's been represented by an agent. For simplicity I've referred to the agent's actions as being AXA's own. Mr and Mrs I are joint policyholders. But as Mrs I has been the main correspondent, I've generally only referred to her.

What happened

In April 2016 Mrs I took out AXA home insurance. It renewed annually. In 2020 she made a subsidence claim. AXA accepted the claim. AXA offered policy renewals for 2021 and 2022 - but with increased premiums and subsidence excesses. In March 2022 a second subsidence claim was made by Mrs I. In April 2023 AXA again offered a policy renewal – but this time it removed subsidence, landslip and heave (SLH) cover.

In June 2023 a different Ombudsman at this Service considered a complaint from Mrs I about the fairness of the April 2021 and April 2022 policies' premiums and subsidence excess. His final decision required AXA to reduce the excesses from £10,000 to £5,000.

Mrs I also complained about AXA's April 2023 removal of SLH. In July 2023 AXA issued a complaint response. It said although it specialises in non-standard insurance it reserves the right to refuse coverage if the risk falls outside its risk appetite. It said it was unable to offer cover for SLH due to the claim history.

That response didn't satisfy Mrs I, so she referred her complaint to the Financial Ombudsman Service. She said when she purchased the property, she intentionally took out specialist insurance covering subsidence. She considers it unfair for that cover to be removed because of her making a claim against it. Mrs I said AXA's refusal to provide SLH cover has left her in a vulnerable situation – with a history of subsidence but no cover. To resolve her complaint she wants the SLH reinstated and a guarantee it will continue for as long as she remains insured by AXA.

When asked, by this Service, for its position on the complaint AXA said two subsidence claims had increased the risk. It said it wanted to continue offering cover, but to manage the risk, it did so without SLH. It said this scenario isn't addressed by its underwriting criteria, so the decision was made by an individual underwriter. It said its happy to 'consider offering SLH cover moving forwards'. However, AXA didn't respond to a request that it confirm if it would be making an offer of cover.

In April 2024 AXA offered a further renewal. Again SLH cover wasn't included.

Our Investigator found AXA hadn't, by removing SLH cover, acted in line with relevant industry guidance (from the Association of British Insurers (ABI)). She wasn't satisfied by its offer to 'consider' providing cover. So she recommended AXA reinstate SLH cover by backdating it. She also said it should pay £250 compensation to recognise the unnecessary distress and inconvenience it had caused Mrs I. She was reassured by the Investigator's

assessment. But as AXA didn't respond the unresolved complaint was 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.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mrs I and AXA have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything provided.

Once a property has suffered subsidence consumers are likely to find insurers don't offer cover - or if they do, only at a considerably increased premium and/or excess. As a result, it can be very difficult for consumers, with a subsidence claim, to find home insurance which provides subsidence cover at an affordable price.

That's why the ABI provides guidance to members – its title is 'ABI Guidance on continuation of cover following a subsidence claim'. AXA is an ABI member. The guidance is intended to ensure consumers with previous or current subsidence claims can continue accessing subsidence cover on reasonable terms – and to support a smooth functioning of the property market.

The guidance says, if an insurer deals with a subsidence claim for a policyholder, it should normally continue to offer subsidence cover on the property. I've considered if AXA's decision to offer insurance, but without subsidence cover, can be considered to have acted in line with the guidance.

The guidance accepts unusual problem cases will arise from time to time. Examples it gives are repeated subsidence damage and non-disclosure cases. But importantly it says even in problem cases continuing cover should be provided where it's possible.

In this Service's view, the guidance, means insurers should arrange cover unless they can present a compelling reason not to. That might include a risk significantly outside of an insurer's usual underwriting criteria. However, that wouldn't apply to subsidence as that's the problem the guidance is intended to remedy. AXA hasn't provided a compelling reason for it not to provide continuing cover – it's just referred to the two subsidence claims.

I'm satisfied the guidance applies to the circumstance – and that AXA has failed to act in line with it by not offering continuing subsidence cover. As a result it has treated Mrs I unfairly. To put things right it will need to act in line with the guidance by providing subsidence cover. So it will need to amend the April 2023 and April 2024 policies to include SLH cover.

I agree with the Investigator that the unfair removal of SLH caused Mrs I unnecessary distress and inconvenience – for example she's been worried about having no cover for any future subsidence. The compensation our Investigator proposed seems an appropriate amount to me. So AXA will also need to pay Mrs I £250 compensation.

My final decision

For the reasons given above, I require AXA Insurance UK Plc to amend Mr and Mrs I's April 2023 and April 2024 policies to include subsidence, landslip and heave cover. It will also need to pay them £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I and Mr I to accept or reject my decision before 30 September 2024.

Daniel Martin
Ombudsman