

The complaint

Mr C has complained that Aviva Insurance Limited ('Aviva') unfairly increased his excess in relation to 'escape of water' claims under his home insurance policy.

What happened]

In February 2024, Mr C unfortunately suffered a water leak into his property, and he made a claim to his insurer. Aviva stated that the insurance claim would affect the excess payable by the customer with regard to escape of water claims, due to Mr C's claims history. The premiums would also increase.

Mr C complained to Aviva about the increase, however Aviva maintained its stance. In the circumstances, Mr C referred his complaint to this service. The relevant investigator didn't uphold Mr C's complaint and considered that Aviva hadn't treated Mr C in an unfair or unreasonable manner.

As Mr C remained unhappy with the outcome of his complaint, the matter was then referred to me to make a final decision in my role as Ombudsman,

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.

The key issue for me to determine is whether Aviva applied its insurance criteria in a fair and reasonable manner by significantly increasing the excess amount payable in relation to escape of water claims. Unfortunately for Mr C, I can't say that Aviva acted in an unfair or unreasonable manner, and I'll explain why.

I firstly turn to Mr C's submissions. In summary, his complaint was that the excess on his policy in respect of damage caused by escape of water had increased from £100 to £1,500 and that there was also an increase in premium. Whilst Mr C accepted that a small increase in excess may be understandable, he considered that *'one of around 1,500% is frankly ridiculous.'* He said he'd been told by Aviva that the increase was as a result of two claims in the last five years, rather than claims prior to that. He considered that the total cost of these two claims was likely to be significantly below £10,000.

Mr C said that he'd had a huge problem over the years with leaks from his upstairs neighbour's property, the neighbour having failed to fix the problem. Following his latest claim, Mr C had contacted the upstairs owner's agents and asked them *'to carry out rigorous checks on their plumbing etc. They say they have done so. What else can I do?'* He reiterated that he'd been blameless in respect of all the water damage he'd suffered.

Mr C said that Aviva had sought to justify the increase due to a change in FCA guidance about treating new and existing customers equally, so that it couldn't consider Mr C's loyalty. Mr C checked this interpretation of the guidance with FCA and *'they were bemused at this interpretation...'* Furthermore, Mr C felt that he was unable to argue with Aviva's underwriting

criteria as he wasn't allowed to know what they were. He therefore felt in an impossible position. The incidents had caused much anxiety, worry and inconvenience, whilst insurance was purchased to provide piece of mind. The claims themselves were stressful '*without the financial burden and the worry of not being covered for such claims at all in the future.*' Mr C didn't feel that any thought was given as to what was fair to the consumer.

I now turn to Aviva's response to Mr C's complaint. It accepted that Mr C was unhappy with the excess that had been applied for claims relating to escape of water being increased significantly from the date of the March 2024 renewal. It said that this was due to the application of relevant underwriting criteria and was related to the value of Mr C's claims.

Aviva stated that policies would be reviewed by the underwriter on an annual basis to decide if it was willing to accept risks for the upcoming year, and also to decide any terms which needed to be applied to any renewal offer. It informed Mr C that as the policy was due to auto-renew in March 2024, he was entitled to cancel the policy without fee. It considered it had sent out the renewal offer in 2024 with enough time for Mr C to review his options for alternative cover.

I've also considered Aviva's case-notes in this matter. They record that Aviva had explained to Mr C that it was responsible for damage following a successful claim even if the issue was due to problems in a neighbouring property. There was reference to some ten such incidents relating to escape of water over the years. The notes record that it had also explained that it was possible that it hadn't been able to pursue a neighbour's insurance company and there was complexity around proving third-party negligence. The notes also showed that it was only the two latest claims that had triggered the referral to the underwriters, but that the entire history was then taken into consideration.

I now turn to the reasons for my decision not to uphold Mr C's complaint. I appreciate that Mr C feels that he's been treated unfairly due to the very large excess increase applied by Aviva in relation to escape of water claims. However, an insurance policy is effectively a contract between two parties. Each insurer is entitled to make its own commercial decisions as to the risks it is willing to insure, and the terms upon which it is willing to insure a particular property. However, it must treat all consumers in the same manner.

I appreciate that Mr C feels that the historical claims for escape of water related to problems emanating from his neighbour's property. I can understand therefore that Mr C feels that he is being penalised for something that has occurred due to no fault of his own. I agree with Mr C to the extent that the insurer would be expected to pursue the insurer of the neighbour's property if the cause and negligence could be established. Nevertheless, there does appear to be a serious on-going issue in relation to the property, which clearly needs to be resolved between the parties, outside the insurance arrangements.

Unfortunately, it's usually the case that premiums or an excess increase after a claim has been made, as an insurer may regard it likely that there is a higher risk of claim in the future, and this is regardless of the question of fault.

I've reviewed the underwriting criteria in this case (which unfortunately for Mr C, it's entitled to treat as commercially sensitive). I've also considered the claims history. Having done so, I can't however say that it was unfair or unreasonable for Aviva to have reached the decision to set the excess for escape of water claims at the level that it did in view of the extensive claims' history. I'm also satisfied that Mr C has been treated no differently to any of Aviva's customers who had the same claims history as Mr C.

I appreciate that this decision will come as a great disappointment for Mr C as he remains of the view that Aviva didn't treat him fairly. I also appreciate that the incidents themselves, as

well as the claims process, will have been challenging and stressful for Mr C. I sympathise greatly with his predicament. In the circumstances however, I don't require Aviva to take any further action in relation to this complaint, as it's acted in accordance with accepted insurance practice, and I can't say that it's acted in an unfair or unreasonable manner.

My final decision

For the reasons given above, I don't uphold Mr C's complaint and I don't require Aviva Insurance Limited to do any more in response to his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 December 2024.

Claire Jones
Ombudsman