

## The complaint

Mr and Mrs S complained that their claim wasn't fairly settled under their home insurance policy with Fairmead Insurance Limited ("Fairmead").

## What happened

Mr and Mrs S claimed against their policy for damage caused by a water leak. The claim included damage to their boiler. Fairmead agreed that the leak caused damage to the boiler and decided to offer Mr and Mrs S a cash settlement to cover the cost of the repair.

However, Mr and Mrs S said that their heating contractor said the boiler was beyond economical repair. Based on their heating contractor's report Mr and Mrs S decided to have the boiler replaced and they thought Fairmead should cover the costs of the new boiler under their policy.

Our investigator decided not to uphold the complaint. He said the evidence provided indicated the damage to the boiler, caused by the leak, could've been repaired. He also thought the offer Fairmead made to settle the costs of the repair was fair. Mr and Mrs S disagreed, so the case has been referred to an 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.

I have reviewed the relevant terms and conditions to understand what the policy covered. The policy covers damage caused by escape of water and it sets out how any settlement would be determined, it states "**We will pay the cost to us of any necessary replacement or repair work carried out**".

Having reviewed the complaint, it seems to hinge on what the necessary work was, to remediate the damage to the boiler following the escape of water. Mr and Mrs S said the heating contractor said the boiler was beyond economical repair. However, Fairmead said "*a repair to the boiler would have been effective. Some corrosion was noted inside the boiler before the leak occurred at the property, and therefore [the loss adjuster] decided the replacement would not be considered as part of the claim*".

I have reviewed the heating contractor's report to understand what was concluded about the damage to the boiler. The report stated "*the water ingress has caused damage to electrical components. There are also signs of corrosion to the combustion chamber, on the pump house seal and also at the connection to the expansion vessel. It is my opinion that the boiler is beyond economical repair, therefore, I would recommend replacing the boiler*".

Fairmead said it contacted the heating contractor. It said "*[the contractor] advised that a repair to the boiler would have been effective. Some corrosion was noted inside the boiler before the leak occurred at the property, and therefore [the loss adjuster] decided the*

*replacement would not be considered as part of the claim. [The loss adjuster] asked your plumber for an up to date cost for the repair needed to the boiler”.*

Having considered the evidence, I can understand why Mr and Mrs S would've wanted their boiler replaced as the heating engineer had told them it was uneconomical repair. However, Fairmead have been unwilling to meet the replacement cost and have only offered a settlement value for the repair for damage from the leak. Fairmead has used the heating contractor's report and have followed this up with him before making their decision. I think this is a reasonable approach, it's the only expert report that is available. I also think the conclusion it has come to in covering the cost of the repairs is a fair one. The heating contractor has said the damage from the leak was repairable and the other damage is long standing. Corrosion wouldn't happen from a one-off leak it would happen over a much longer period and this kind of wear and tear isn't covered by the policy. So, it wouldn't be fair on Fairmead to expect them to cover damage that wasn't an insured peril.

Fairmead have used the estimates provided by the heating engineer in determining their settlement. I think this is a fair and reasonable approach, so I don't uphold this complaint.

### **My final decision**

My final decision is that I don't uphold this complaint. I don't require Fairmead Insurance Limited to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 7 October 2021.

Pete Averill  
**Ombudsman**