

## **The complaint**

Mr H and Ms F complain Ecclesiastical Insurance Office Plc handled their home insurance claim poorly.

## **What happened**

In February 2020 Mr H and Ms F made a subsidence claim against their Ecclesiastical home insurance policy. Cracks had appeared on an outbuilding, a converted garage. The door was difficult to open. Ecclesiastical's engineers monitored the property for evidence of subsidence. Ecclesiastical concluded there wasn't clear evidence of historical or current subsidence. Mr H and Ms F's own engineer felt the likely cause of damage was a poor standard of conversion of the building – not subsidence.

Mr H and Ms F accepted the damage wasn't covered by the policy as subsidence. However they were unhappy with Ecclesiastical's decision to record the claim, internally and externally, as 'subsidence'. They are concerned this means they will need to declare the claim for the next 25 years - despite subsidence not being the cause of damage. They say this will unfairly limit their choice of insurers, significantly increase the cost of cover and potentially affect the value of their home.

Ecclesiastical responded to a complaint from Mr H and Ms F. It provided a letter for them to show to future insurers to inform them of the outcome of the claim. It amended their renewed policy premium, refunding an amount charged because of an open subsidence claim. But Ecclesiastical didn't change the claim record. It said it would remain recorded as a declined subsidence claim. It did accept it had caused Mr H and Ms F some unnecessary inconvenience, offering £100 compensation in recognition.

Mr H and Ms F weren't satisfied with Ecclesiastical's response, so they came to this service. They say, by not proving clear information about the implications of a subsidence claim, it caused them detriment – including having to pay more for their home insurance. Mr H and Ms F are also unhappy with how Ecclesiastical handled their claim – including its use of third-party contractors and decision to pay unnecessary claim costs.

In January 2021 our investigator considered Mr H and Ms F's complaint. She said Ecclesiastical had recorded the claim fairly. She didn't agree it should have provided clearer information about the possible consequences of a subsidence claim. She felt Ecclesiastical's offer of £100 compensation was fair and reasonable. So she didn't recommend it do anything differently. Mr H and Ms F didn't accept that assessment, so the complaint was passed to me to consider.

In March 2022 I issued a provisional decision. Its reasoning forms part of this final decision, so I've copied it in below. In it I explained why I didn't intend to require Ecclesiastical to pay Mr H and Ms F any compensation or do anything differently. Mr H had said, if HSB had provided clear information about the claim process, he wouldn't have made a claim. I explained why I wasn't persuaded of that.

I also set out why I didn't think it most likely Mr H and Ms F would be in a better position financially if they hadn't made a claim. I explained why I didn't agree Ecclesiastical's record of the claim was unfair. I said I felt the compensation it had paid already was enough to recognise the impact of any poor service.

Finally I invited Ecclesiastical and Mr H and Ms F to provide any further information they would like me to consider before coming to a final decision. Ecclesiastical didn't respond. Mr H and Ms F were disappointed by my provisional decision. They provided some comments and objections.

### ***what I've provisionally decided and why***

*Mr H and Ms F have provided a range of information. They have made a number of points. As this is an informal service, I haven't responded to everything here. Instead I've focused on what I consider to be the most pertinent and significant issues and evidence. But I'd like to reassure them I've considered everything they have provided.*

*Mr H and Ms F say Ecclesiastical should have advised them, when they first made contact about the claim, that even a declined subsidence claim would affect their insurance for the next 25 years. But I don't agree with Mr H and Ms F on this.*

*In my experience insurers ask if a property, or surrounding area, has ever suffered from subsidence. Some limit the time to 25 years. But this type of question isn't usually asking about claims for subsidence. Instead potential policyholders are being asked about suspected or confirmed subsidence.*

*If Mr H and Ms F are satisfied there wasn't any subsidence at their property, they would likely respond to a similar question in the negative. Indeed I've seen they confirmed, for a recent insurance application, their property has been free from subsidence for the last 25 years.*

*However, it's standard practice for insurers to ask potential policyholders about, and to consider, claims made during the previous three to five years. Mr H and Ms F have understandably declared this claim when trying to arrange cover. They operate a business from their home, so say they already experienced many insurers being unwilling to offer them cover.*

*Mr H and Ms F say the claim record has reduced the already limited pool, increasing the cost of cover. Their latest policy cost more than twice what they paid Ecclesiastical before the claim. They feel the subsidence claim record is responsible for that. And they say that's unfair as they only have one because of Ecclesiastical failure to provide clear information.*

*If I thought Mr H and Ms F had lost out because of Ecclesiastical's mistake I might require it to take steps to put things right. That could potentially involve it paying an amount of money to reflect the impact of an unfair claim record over three to five years. But for me to think that would be a fair resolution I'd need to be persuaded of the following outcomes.*

*I'd need to agree that Ecclesiastical made a mistake by failing to provide certain information to Mr H and Ms F when they first made contact about the claim. I'd then need to accept that, if it hadn't made that mistake, Mr H and Ms F would most likely*

*have withdrawn their claim. And finally, without the claim record, they would have been better off financially.*

*In February 2020 Mr H called Ecclesiastical to report a potential subsidence issue. I've seen a transcript of the call. Ecclesiastical explained it would arrange an engineer to investigate. It explained for subsidence a £1,000 excess is payable. It said that's higher than for other insured perils. It didn't explain an additional £125 voluntary excess was also applicable.*

*Immediately after Ecclesiastical explained exclusions might apply to decline a claim. It gave faulty workmanship as an example. It said if it were found the building had inadequate foundations, for example, there might not be any cover. It said as part of that discussion it would look to make sure the building was built to the right specifications. There was then a discussion about Mr H and Ms F's building's foundations possibly only meeting the requirement of the era in which it was originally constructed.*

*Mr H says if the policy excess and impact of a failed subsidence claim had been explained he would have withdrawn it and arranged for his own engineer (that cost being similar to the excess anyway) to attend. He says it would have turned out, as it did, the problem wasn't subsidence. And without a claim record they would have been in a better position.*

*To support their argument Mr H and Ms F referred to a previous discussion with an insurer regarding a leak. In that experience the insurer told them the policy excess and explained premiums would be affected by a claim. As a result they didn't proceed with the claim - having calculated it made financial sense to arrange their own repair.*

*Mr H says he would have done the same for this claim had he been fully informed. The excess is around the same as the cost of an engineer's report. He would have avoided the consequences of a decline subsidence claim record. And if subsidence had been found he could have gone back to claim with Ecclesiastical.*

*But I'm satisfied, from the transcript, that Mr H was aware of the policy excess. Even if I agreed Ecclesiastical made a mistake by not informing him of the possible consequences of a declined subsidence claim, I wouldn't be persuaded it caused Mr H and Ms F to lose out financially.*

*Firstly I'm not persuaded Mr H would most likely have acted in the way he now says he would. He carried on with the claim after being told about the excess. It's possible, but it seems unlikely to me, he would at that point be aware of the likely cost of an engineer. It seems, from his account of the earlier claim, he was already aware that a claim record could impact the future cost of insurance. So being advised of that by Ecclesiastical probably wouldn't come as significant news to him. Mr H was also aware, from the discussion, of the possibility of a claim being refused.*

*I accept Mr H dealt with his property's leak – but in my experience that's a less complex, involved and daunting task than taking on responsibility for suspected subsidence. So on balance I'm not persuaded he would have withdrawn the claim.*

*I also can't say if Mr H and Ms F hadn't proceeded with the claim they would be in a better position financially. It's difficult to know for certain the impact of the claim record. As explained above it didn't in the year following the claim. After that*

*Mr H and Ms F paid a different insurer about £350 more for cover. Ecclesiastical had withdrawn from the market.*

*It's difficult to know how much of that increase was due to the claim alone. If I attributed the vast majority to the claim (which may not be correct) the impact would be about £300. In my experience the impact reduces over the years. Even if I thought the decrease to be only about one third per year, the five-year cumulative impact of the subsidence claim record might be about £750.*

*Even if there wasn't a claim there would still be a notification of loss record. That might be recorded as something like 'suspected subsidence'. And insurers usually ask potential policyholders about any 'losses' in the last three or five years. Mr H and Ms F say they wouldn't need to report the matter as a loss. But I'm not persuaded that's necessarily correct - even if the only remedial action Mr H took himself was to touch up a few cracks.*

*Their own engineer concluded the building had long standing and more recent distortion/damage due to its poor standard of conversion. It was found to have shallow foundations. That's something some insurers may want to know about. So even without a claim record the problem may well have limited their choice of insurers and resulted in an increase in premiums.*

*I'm also not persuaded the only cost to Mr H and Ms F would have been engineer fees of about £1,000. I accept they paid their engineer about that for his work. I've read his report and correspondence with Ecclesiastical. It seems he, following a site visit, felt there was evidence of downward movement. So he suspected there might be subsidence. To reach his own final conclusion he relied upon site investigation data provided by Ecclesiastical's engineers.*

*So it seems likely Mr H and Ms F probably would have incurred additional investigation costs to discount subsidence as the cause. Ecclesiastical spent about £1,500 on testing and monitoring. In addition to that Mr H and Ms F may have had to pay the £1,200 Ecclesiastical incurred for repairs to their drains. So for the reasons set out above I'm not persuaded they would be better off financially if they had withdrawn the claim.*

*In summary I'm not persuaded the consequences of a declined subsidence claim are as significant as Mr H and Ms F have claimed. I don't think Mr H and Ms F would most likely have withdrawn the claim if Ecclesiastical had explained the possible impact. And even if they had I can't say they probably would be better off anyway.*

*I've considered if Ecclesiastical's record of the claim is fair. I've seen how it appears on CUE – an insurance industry database. Under 'Cause' it says 'Subsidence, Heave Landslip'. It currently shows a status of 'open' with a payment total of £0. Ecclesiastical says when this complaint is finalised the record will show payment of around £4,000. The status will be 'repudiated'.*

*Mr H and Ms F feel it's unfair to record or refer to subsidence when it wasn't the cause. Ecclesiastical's says the cause of the claim was concern about subsidence. It was investigated as subsidence, so the claim should remain coded under that peril. As the record will show the claim as declined, I think Ecclesiastical's position is reasonable. Having considered everything Mr H and Ms F have said, I can't say Ecclesiastical's recorded the claim unfairly.*

*So I don't intend to require Ecclesiastical to amend the claim record or to compensate Mr H and Ms F for any impact it has on the cost of their insurance.*

*Mr H and Ms F have raised other complaint points. They feel the claim costs incurred by Ecclesiastical are too high. Having considered its breakdown and explanation for the costs I can't say there was any significant and unnecessary expenditure.*

*Mr H and Ms F complained about Ecclesiastical using contractors to perform the claim investigation. In my experience that's a common procedure for insurers. I don't think it was unfair or unreasonable for Ecclesiastical to make that choice.*

*Mr H and Ms F spent more than £1,000 on their own engineer's fees. They say this was necessary as they were in dispute with Ecclesiastical. Having considered everything, I'm not persuaded it acted so unreasonably that it was necessary for them to appoint their own engineer. So I don't intend to require it to reimburse that cost.*

*According to Mr H and Ms F Ecclesiastical didn't act in good faith or in their best interests. They feel it handled the claim poorly in general. I've reflected on their comments. But having considered the claim records, their correspondence with Ecclesiastical and so on I'm not persuaded it did act in those ways.*

*Overall it seems to have investigated and dealt with the claim reasonably. I realise they will disagree, but its communication with Mr H and Ms F seems fair and appropriate. There may be some examples where it could have done better. But the £100 compensation already offered is enough to recognise the impact of those. So I don't intend to require Ecclesiastical to pay Mr H and Ms F any compensation or do anything differently.*

### **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.

Mr H and Ms F provided a number of objections to my provisional decision. As this is an informal service, I haven't responded to everything here. Instead I've focused on what I consider to be the most pertinent and significant. But I'd like to reassure them I've considered everything they said.

Mr H and Ms F said I'd failed to consider the potential loss of value resulting from a need to declare the claim when selling the property. I accept it's possible that might have an impact on the value of the property. But even if there hadn't been a claim Mr H and Ms F would be aware the garage had damage related to its shallow foundations, poor conversion and so on. And that seems like something it might be reasonable to declare to a buyer.

So they would be declaring the same defect either way. I haven't seen anything to persuade me the involvement of a claim would result in a larger loss of value. The defect and consideration for the buyer would seem to be the same.

Mr H and Ms F provided further points to explain why they wouldn't, in possession of clearer information, have pursued a claim. I've considered those but ultimately it doesn't make a difference to the outcome. As I said, to find Ecclesiastical had caused them a loss, I'd also need to be persuaded they would be better off financially without the claim.

I note their point that their engineer's bill would have been lower than the £1,000 they paid, if Ecclesiastical hadn't required him to provide a written report. Even with lower engineering fees they would likely have incurred some of the other costs Ecclesiastical's paid – including for testing, monitoring and drain repairs. Mr H and Ms F say those investigations added little value for them. However, as I explained in my provisional decision their engineer relied on the resulting data to reach his own conclusion.

So I'm still not persuaded that without a claim they would be better off financially. That's based on my estimate of the cumulative premium increase and the policy's subsidence claim excess.

In my provisional decision I said I wasn't persuaded Ecclesiastical had acted in bad faith during the claim. In response Mr H and Ms F highlighted its agents frequently made unrecorded mobile phone calls, rather than using recorded landlines, to contact them. They feel it's not good practice for calls to be made from a facility on which they aren't recorded. Mr H and Ms F feel issues consistently occurred when calls came from mobiles.

I don't think it's inherently poor practice for an insurer or its agent to call a policyholder from a mobile. There may be practical reasons for doing so. That seems particularly likely for a loss adjuster or claims handler who makes frequent site visits. I said in my provisional decision there may be examples where Ecclesiastical's communication could have been better. But I still haven't seen enough to persuade me it acted in bad faith or didn't handle the claim reasonably overall.

So I'm not going to require Ecclesiastical to pay Mr H and Ms F any compensation or do anything differently.

### **My final decision**

For the reasons given above, I don't require Ecclesiastical Insurance Office Plc to pay Mr H and Ms F any compensation or do anything differently.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F and Mr H to accept or reject my decision before 21 April 2022.

Daniel Martin  
**Ombudsman**