

## **The complaint**

Mr B's complaint is about AA Underwriting Insurance Company Limited's handling of a claim under his home insurance policy.

## **What happened**

In July 2021, Mr B noticed his boiler was losing pressure. A contractor attended who said there must be a leak in the central heating system. Mr B called AA who told him to try to find the leak. Mr B's contractor found the leak and repaired it. However, he had cut holes in several floors and ceilings in order to trace and access the leak.

Mr B made a claim for the costs of tracing and accessing the leak (£920) and the cost of repairing his floors. AA initially agreed to cover the costs and after around four months negotiating offered £6,242.70 (net of the policy excess) towards the cost. Mr B accepted this offer. However, a few days later AA withdrew the offer and said that none of the costs claimed for were covered, as the damage was caused in order to trace and access the leak and there was no water damage caused by the leak itself. AA says the policy doesn't provide cover in these circumstances. AA accepted it should have told Mr B this sooner and offered £250 compensation for this.

Mr B is very unhappy about this. He says he was told by AA access the leak and there was water damage to the flooring. Mr B also says he made around 40 phone calls about this claim and complaint.

One of our investigators looked into the matter. She was satisfied there was evidence of water damage to the flooring and so recommended that AA pay Mr B the claim settlement previously agreed.

AA doesn't accept the Investigator's assessment, so the matter has been passed to me. It says there is only evidence of a small water stain on one piece of plywood, which would have dried out. It therefore remains of the view that there was no damage caused by the leak and therefore no insured event.

## **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 B's policy provides cover for damage caused by the escape of water. It says:

*"we will pay for loss or damage to the building caused by the following ...*

*Water or oil as a result of a burst, leaking or overflowing domestic water or heating installation, appliance or piping...We will also pay up to £5,000 in total for the costs we have agreed in advance for locating the source of the damage including the reinstatement of any wall, flooring or ceiling removed or damaged during the search."*

I agree with AA that this means there has to be damage to the property caused by the leak and if there is, then it will pay the cost of rectifying that damage and also pay up to £5,000 for the costs of tracing and accessing the leak that caused that damage. So if there is no water damage to the property, there is no cover for finding and accessing the leak, or repairing the damage caused in that search for the leak.

AA says this term also means that there would have to be visible damage to the flooring in order to prompt investigations and trigger a claim but in this case, the investigations were triggered by the fact Mr B's boiler was losing pressure. It says there is only evidence of a small area of staining to a piece of ply and as the floor is suspended with a void, it would dry out easily. AA therefore says, as there was no visible damage simply a loss in pressure of the boiler, the damage caused by trace and access is not covered.

I do not agree that the investigations would have to have been prompted by visible damage in order to be covered. The policy does not state that and it is possible for significant property damage to occur before it is noticed. I also do not agree that there was no water damage to the property.

Mr B has provided a picture of a piece of plywood which has water marks and a clear wet patch on it. He says this is the only photo of water damage he has, however there is also the estimate for the repair and replacement of the flooring which says *"due to severe water damage the existing ... [flooring] is not able to be matched or repaired as water has caused several areas of the plywood to delaminate"*.

This supports that there is water damage to the flooring and I do not think it is fair or reasonable to refuse cover for this because the damage (at that point in time) was to the underside of the flooring and not the top and therefore not visible to Mr B until it was taken up. It also seems to me likely that the damage would have become visible in any event, if left. I am therefore satisfied that there was an insured peril.

It is now for me to determine what should be done to put that right.

AA and Mr B had agreed a settlement of the entire claim in November 2021 of £6,242.70 (net of the excess). It seems to me that it would be fair for this to now be paid to Mr B, together with interest at our usual rate.

AA had also previously offered £250 compensation for the handling of the claim. Having considered all the evidence, I agree this sum is reasonable to reflect the trouble caused to Mr B. I understand that AA may have already paid this amount, in which case it will not need to make any further payment for compensation.

### **My final decision**

I uphold this complaint and require AA Underwriting Insurance Company Limited to do the following:

1. settle the claim for the amount previously agreed, *i.e.* £6,242.70, together with interest at 8% simple per annum from the date it was due to be paid (November 2021) to the date it is paid; and
2. pay Mr B the sum of £250 compensation for the distress and inconvenience caused by its handling of his claim, if it has not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 June 2022.

Harriet McCarthy  
**Ombudsman**