

The complaint

Ms G complains that Royal & Sun Alliance Insurance Limited ("RSA") caused her unnecessary costs and losses after unfairly declining her claim on her home insurance.

What happened

Ms G had home insurance that was underwritten by RSA, for a property she owns and rents out.

In 2019 she made a claim following a flood in the cellar of the property. RSA declined the claim initially, as it said there wasn't a leak but instead the water in the cellar was due to a problem with the damp proof course and this wasn't covered under the policy.

To rectify the problem Ms G installed a sump pump in the cellar.

Sometime after this the local water company discovered a leak from a supply pipe at a neighbouring property and confirmed this had caused the flood in Ms G's cellar.

Ms G made a complaint to RSA which she later brought to this service. An ombudsman issued a final decision on the matter requiring RSA to consider the claim under the policy.

Following this decision Ms G made a further complaint to RSA. She said that her tenants had moved out due to the number of contractors regularly attending the property. And thought RSA should pay loss of rent for the period she didn't have tenants. She also said she had installed a sump pump following RSA's expert's recommendations, and this had turned out to be unnecessary, so she thought RSA should cover the cost.

RSA upheld the complaint and offered £200 compensation for service failings. However it said the policy didn't cover her costs for the sump pump and loss of rent is only provided when a property is uninhabitable, which hers had never been.

Ms G was unhappy with this response and brought her complaint to this service.

Our investigator considered the issues and recommended the complaint be upheld. She said that Ms G had only installed a sump pump off the back of RSA's expert's findings which were later found to be incorrect. So she thought it fair and reasonable that RSA cover this cost. However she didn't think it should pay for loss of rent as the property wasn't uninhabitable.

Ms G accepted our investigator's outcome, however RSA didn't. It said the policy didn't provide cover for the costs of the sump pump and its expert didn't recommend this was installed. So it didn't agree it was fair to ask it to cover the cost.

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.

Having done so I agree with our investigator that RSA should cover the cost of installing the sump pump, for the following reasons:

- RSA previously declined Ms G's claim as it said the water in the cellar was standing water caused by poor damp proofing. Based on this, Ms G installed a sump pump in order to rectify the problem. While RSA's expert report didn't specify the exact action that was required, it did recommend taking corrective action to resolve the issue. And RSA offered no further assistance.
- Ms G's policy specifies that in order for cover to apply she must 'take all reasonable steps to prevent further damage.'
- It has since been shown that the conclusions of RSA's experts were incorrect and the water was caused by a leak. The local water company who identified the leak confirmed that this made the sump pump redundant.
- This service has already determined that RSA's initial conclusions about the cause of the leak were incorrect. And I am satisfied that Ms G acted in good faith when installing it, in order to meet the conditions of the policy and follow the information provided by RSA's experts. And, based on the water company's findings, this wasn't necessary.
- Had RSA correctly identified the leak in the first instance, Ms G wouldn't have had to cover the cost of the sump pump. So if it hadn't been for its error, she wouldn't have incurred the associated costs.
- I therefore think it fair and reasonable that RSA reimburse Ms G the cost of installing the sump pump on receipt of the invoice for the amount. As Ms G has been without the funds for some time, it should also pay 8% simple interest from the date Ms G paid for it until settlement is paid.
- I've also considered Ms G's request that RSA cover loss of rent. The policy specifies that loss of rent is paid '*in consequence of the Buildings becoming uninhabitable*'. As the damage from the flood only affected the cellar of the property, I agree that this would not meet a reasonable definition of uninhabitable so cover wouldn't apply.

My final decision

I require Royal & Sun Alliance Insurance Limited to:

- Reimburse Ms G the cost of installing the sump pump, on receipt of an invoice for the amount.
- Pay 8% simple interest from the date Ms G paid for the sump pump until the date settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 22 August 2022.

Sophie Goodyear
Ombudsman