

The complaint

Mr B complains that The National Farmers' Union Mutual Insurance Society Limited ('NFU') didn't fully accept a claim on his home insurance.

What happened

Mr B had an NFU home insurance policy, originally taken out in May 2012. In October 2019, Mr B discovered a leak in his home. NFU appointed a loss adjustor to assess the claim. Around the same time, Mr B found a second leak in a separate part of the house. NFU's loss adjustor examined the damage and believed that only some of it was covered by Mr B's policy; it said most of the damage was caused by condensation, which wasn't covered.

Between November 2019 and August 2021, both NFU and Mr B instructed various professionals to assess the damage and identify its root cause. In August 2021, Mr B's surveyor found significant damage to floorboards, wooden beams, joists, plasterboard to walls/ceilings, insulation, fixtures and fittings. He said this was a result of water escaping from a faulty boiler being heated to boiling point, creating steam. The steam cooled and condensed back to water. This water penetrated the wooden structure of the home, causing significant damage.

NFU, following the advice of its loss adjustor, told Mr B that most of the damage was caused by condensation and this wasn't an insured event under his policy. On that basis, NFU accepted only part of Mr B's claim. It offered him a settlement of just under £40,000, less the policy excess, to cover some of the water damage plus associated repairs. It says, in summary:

- It agreed with the need for the work proposed by Mr B's surveyor.
- However, a lot of this work was unrelated to anything covered by Mr B's insurance.
- Structural damage to the home (floorboards, wood timbers, joists, etc) was the result of steam or condensation. This wasn't covered by Mr B's policy.
- Poor workmanship, maintenance, or wear and tear wasn't covered under the accidental damage section of Mr B's policy.
- Cracks in the property were due to "*thermal fracking*" and weren't covered.
- It accepted that some of its customer service hadn't been good enough. It apologised to Mr B for this and offered him £150.

Mr B was unhappy with this and brought his complaint to this service. He wants NFU to accept the full findings of his surveyor's report and pay for repairing all the damage to his home, as well as alternative accommodation and storage costs until these repairs have been completed.

Our investigator didn't recommend that Mrs B's complaint should be upheld. He was satisfied that the reports by NFU's loss adjustor explained why the steam/condensation damage shouldn't be covered, and he thought this was fair. He didn't think Mr B had provided any evidence to contradict this. Based on these findings, our investigator thought NFU's settlement offer – as well as its compensation to apologise for poor service – was fair.

Mr B disagreed with our investigator, so the case was passed to me to consider/make a final decision.

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.

First, I'm sorry that it's taken so long to resolve this complaint.

This is a complex situation and there are a lot of reports and other correspondence about the damage to Mr B's home. I've looked at everything both parties have provided but I don't think I need to comment on each point to reach the right outcome. I've focused instead on what I think are the key issues and tried to set out what I think is and isn't covered by Mr B's insurance.

NFU has made a settlement offer to cover damage caused by a leak from Mr B's boiler. However, it thinks a lot of the damage has been caused separately by condensation, heating, or ventilation issues. It says this isn't covered by Mr B's policy. I've reviewed the evidence to see if this decision was fair.

Mr B has provided three reports:

January 2020 ('C1')

An email from Mr B's building consultant which summarised two visits to Mr B's home in November 2019 and January 2020. The consultant identified two separate areas of "*significant*" water damage: one under the floorboards in a rear bedroom and another within and around the boiler in the kitchen. He concluded: "...*there is a serious fault, or faults, within the plumbing and heating installation... either from faulty installation, subsequent alteration to the system, blockage or component failure such as valves or pumps.*" He described the existing plumbing and installation system as "*dated and haphazard*".

February 2020 ('C2')

Mr B's plumber provided a summary of his findings and the repair work needed. He found several "*pin hole leaks*" in the boiler water jacket, plus a leak from a corroded piece of copper pipe under the kitchen sink. He said these leaks "*probably contributed to the condensation problems under the floor and also the other problems in the roof space around the central heating header tank.*" He also noted that all the pipe work was in poor condition.

August 2021 ('C3')

This is a comprehensive report by Mr B's surveyor. It says, in summary:

- Wooden boards in the roof space have "*suffered significantly from the long duration affects [sic] of steam and condensation*".
- The cause of this damage – as well as to the external wall construction, floor coverings, floor boarding, floor joists, internal frames, electrics, plumbing and heating – was "*a serious fault/combination of faults within the plumbing and heating installation.*"
- Hot water in the header tank in the roof space created steam which condensed. The condensed water ran down the walls and was absorbed by floorboards and joists, causing them to decay or expand.

- This also resulted in damage to flooring, internal frames, electrics, plumbing and heating.
- Cracks in the walls were caused by water running down from the roof.
- Mould and damp staining is evidence of condensed water in the roof space.

July 2022 ('C4')

Mr B's surveyor replied to our investigator's findings. Among other points, he restated his opinion on the cause of damage:

"The damage caused in the roof space was as a result of a faulty domestic appliance. It was water heated to boiling point by the faulty boiler to the extent that on escape of water it damaged the roof trusses above and also the roof sarking board and by natural process of cooling down after escape, condensed caused further damage to the chipboard sarking to the roof."

He also explained why, in his opinion, this type of condensation should be covered: *"The damage has been caused by water, irrespective of its form.... The cause is the faulty boiler and the resultant escape of water. Because the 'escape' is not usual (leaking pipe/burst pipe) does not change the terms of cover with regard to escape."*

NFU provided several reports by its loss adjustor:

November 2019 ('B1')

NFU's loss adjustor's initial assessment. It identified a leak in the utility room which it believed might have been running for as long as 18 months. The report concluded: *"The damage to the property is from an ongoing leak to the boiler, we would recommend that further investigation is undertaken to establish the extent of water damage"*.

March 2020 ('B2')

A brief report flagging a potential escape of water: *"The precise cause of the issue is currently under investigation although it would appear that it has potentially emanated from the shower waste"*

June 2020 ('B3')

NFU's surveyor identified some structural damage – cracks where concrete panels met and where the extension joined the original building – but concluded this was due to *"constructional defects and normal thermal movement"* and wasn't covered by Mr B's insurance.

August 2020 ('B4')

This report doesn't contain any new detail. It refers to previous correspondence and confirms the *"loss falls outside the scope of the policy cover provided"*.

August 2021 ('B5')

This is the most detailed of the loss adjustor's reports. It says, in summary:

- Most of the work proposed by Mr B's surveyor (in the C3 report) was needed *"due to general condensation/steam issues created as a result of inherent problems with the heating system"*, particularly in the roof space, walls and sub-floor.

- General condensation/steam didn't fall under the policy's escape of water cover.
- Other factors contributed to the damage, for example lack of ventilation to the sub floor and fascia/soffits.
- There was evidence of general condensation in all rooms, typified by mould staining to ceiling and wall angles. This was caused by an imbalance in heating and ventilation.
- Mr B's policy included accidental damage cover, however this cover specifically excluded damage resulting from any gradual cause.
- The settlement offer was appropriate.

October 2021 ('B6')

This referred back to its previous reports and noted the settlement offer reflects NFU's liability for some, but not all, the damage. It doesn't comment further on the report by Mr B's surveyor (the C3 report).

I think the reports show clearly that there were leaks that caused the water damage found by Mr B in October 2019. The C1 and C2 reports identified this and NFU accepted this, hence NFU's settlement offer.

And I think the reports show broad agreement that the major damage has been primarily caused by steam or condensation, and that this was due to a fault in the heating system, specifically the boiler and expansion pipe. The only real dispute is whether the damage is covered by Mr B's policy.

I've looked at what is included and what's excluded by the policy when it comes to water damage. The 'Buildings' section of the policy booklet says "*Water leaking from or frozen in any fixed DOMESTIC installation or any DOMESTIC appliance*" is covered. I also note that trace and access cover includes water escaping from any fixed tank, pipe or apparatus. The policy excludes damage "*which happens gradually*" or "*caused by lack of general maintenance, wear and tear, and loss of value over time.*" Both exclusions were highlighted by NFU as further reasons to support its decision not to accept part of the claim. There's no explicit mention of steam or condensation in the policy booklet.

NFU's letter to Mr B on 22 September 2021 says: "*...your policy only provides cover for damage caused by escape of water. If the damage is not related to this, ie due to condensation, lack of ventilation etc your policy does not provide cover for this.*" So NFU is making a clear distinction between damage caused by the leak and damage caused by steam or condensation.

Mr B's surveyor, on the other hand, argues that the damage was directly related to the leak. He summarised this in his C4 submission: "*The escape of water, was turned to steam by the faulty boiler which in condensing back to water, caused the damage.*"

I understand Mr B's surveyor's argument. However, the reports show that the most significant damage – set out in the C3, C4, and B5 reports – was not a result of the leak, but a result of the fault in the boiler and expansion pipe. The heat generated in the heater tank and expansion pipe as a result of this fault created steam and condensation, which in turn caused the damage described by Mr B's surveyor. Put another way, if there hadn't been such a serious failing in the heating system the leak wouldn't have caused such severe damage. In my opinion, the primary reason for the significant structural damage to Mr B's home isn't a leak – it's the fault in the heating system.

It also appears to me from the reports that this damage has developed over a significant

period. The B1 report suggests 18 months. I've also noted the condition of the heating system. The C2, C3 and C4 reports all indicate a serious fault. Mr B's plumber described the system as "*dated and haphazard*". So I think it could reasonably be argued that the boiler has suffered from either a lack of general maintenance or has deteriorated due to wear and tear, and this has led to the fault. So I understand why NFU has said the damage should be excluded under the policy terms.

I appreciate the extensive damage to Mr B's home, and I understand the implications of my decision. He and his family have my sympathy. However, for the reasons above, I think NFU's decision to decline the part of Mr B's claim relating to the condensation/steam damage was reasonable.

Finally, I've considered the settlement offer. I've reviewed the damage caused by the leaks and the original estimate by Mr B's plumber for repairing this damage. I've also looked at the loss adjustor's breakdown of costs allocated for this work. Having done so, I think the settlement offer for this part of the claim was fair.

My final decision

My final decision is that I don't uphold the complaint because I think The National Farmers' Union Mutual Insurance Society Limited has made a fair settlement offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 February 2023.

Simon Begley
Ombudsman