

The complaint

Mr and Mrs S complain that Royal & Sun Alliance Insurance Plc trading as More Than ("RSA") declined their claim on their home insurance.

What happened

Mr and Mrs S had home insurance with RSA. In February 2021 they made a claim after noticing damp at their property. Investigations were carried out and the damage was traced to a hole in an underground pipe.

RSA initially considered the claim under the 'escape of water' peril in the policy but declined it as it said the damage was due to natural breakdown of materials and that's excluded under the policy. However it later said it was excluded as the policy provided no cover for underground pipes as the add on for accidental damage wasn't purchased.

Mr S complained as he said it hadn't been clear at the point of sale that the optional accidental damage cover included cover for underground pipes. He said if he had known this he would have bought the add on. He made a complaint.

RSA didn't uphold the complaint, however it offered £150 compensation to make up for the confusion it had caused. Mr S wasn't happy with this and brought it to this service.

Our investigator recommended the complaint be upheld. She thought RSA hadn't made it clear enough to Mr S that damage to underground pipes would only be covered if the accidental damage add on was purchased. And she thought if it had, Mr S would have bought the extra cover. She therefore asked RSA to consider the claim in line with the additional cover for underground pipes and if it accepted the claim said it should pay 8% simple interest on any costs Mr S had already incurred. She also thought it should pay the £150 compensation it had already offered.

Mr and Mrs S accepted our investigator's outcome. However RSA didn't. It said they had the option to purchase additional cover and shouldn't receive the benefit of this as they opted not to. It asked for the case to be reviewed by 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.

There has been some confusion around which part of the policy this claim should be considered under. From considering the policy documents, I agree the correct section would be the accidental damage cover for underground pipes. As the escape of water peril only covers for pipes within the property, and the damaged pipe in question is underground and external to the property building.

I've looked at the policy and I can see that this cover is only provided if an optional add on is selected. And I'm satisfied the fact the policy doesn't provide cover for underground drains and pipes is unusual and significant because most policies do provide this cover as standard.

Because of this, I'd expect RSA to make it clear to Mr S at the point the policy was sold that cover for underground pipes isn't included as standard. And that the only way to have this cover included is by purchasing the accidental damage add on.

RSA has provided screenshots from its website to show the information Mr S would have seen when he purchased the policy. I can see that he would have been asked whether he'd like to add accidental damage cover. However the examples of what the cover provides for that are given all relate to accidents in the home that you'd expect to be covered by accidental damage cover. Such as 'smashing a window, or taking a chunk out of your kitchen worktop'. However it isn't clear from the information provided at the sale that this cover is also for underground pipes and, most importantly, this won't be covered otherwise.

I've also looked at the full policy documents that were provided to Mr S when he purchased the policy. And while I can see that these show that underground pipes would only be covered with the optional accidental damage cover, this isn't made clear and unambiguous. Instead it is hidden in the policy documents. As I consider this to be a significant limitation of the policy, RSA has an obligation to ensure the information is clear and I'm satisfied it hasn't met this obligation.

I've therefore considered what Mr S would likely have done differently if it had been made clear. He's provided information about his previous home insurance policy. And I can see that he had cover for underground pipes included with this. He's also explained that he didn't choose to add the accidental damage cover to the policy as he thought this was for accidents cause by him or his guests in the home and he was willing to take on the burden of that risk. Based on this, I think it's likely he would have wanted to ensure underground pipes were included in policy cover. Therefore I think if it had been clear that he needed to buy extra cover to do this, I think he would.

For these reasons, I agree with our investigator that RSA should consider the claim under the accidental damage cover for underground pipes, as if Mr S had purchased it when he took out the policy. If it accepts cover it should pay 8% simple interest on any amounts Mr S has already paid to discover or repair the damage to make up for the time he has been without the funds. I also agree RSA should pay the £150 compensation it's offered, if it hasn't done so already.

My final decision

For the reasons I've given I uphold Mr and Mrs S' complaint and direct Royal & Sun Alliance Insurance Plc trading as More Than to:

- Consider their claim under the accidental damage cover for underground pipes as if they had bought this add on.
- Should a claim be accepted, pay 8% simple interest on any claim related costs that have

already been paid for, from the date they were paid for until the claim settlement is paid.

- Pay £150 compensation, if it hasn't done so already.

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 4 November 2022.

Sophie Goodyear
Ombudsman