

The complaint

Mr H is unhappy an escape of water damage claim made under his buildings insurance policy has been declined by AA Underwriting Insurance Company Limited (AA).

What happened

Mr H suspected he had a leak in the shower area in his bathroom, so he arranged for contractors to investigate. A leak was subsequently discovered after some of Mr H's bathroom had been stripped out.

Due to the extent of the damage caused by the leak, Mr H approached AA, his building insurer.

AA recognised Mr H's concerns with the time it would take a surveyor to be appointed, as this was his family bathroom. They advised to take photos of the damage, keep any invoices for repairs Mr H was having completed, and to submit them to AA.

A surveyor was subsequently appointed by AA. They said they weren't able to establish the extent of damage or repairs required as Mr H had arranged for repairs to be completed. So, AA declined Mr H's claim as they said they were unable to validate it.

Mr H was unhappy with this and approached this service.

Our investigator looked into the complaint and upheld it in part. She said AA accept there was an escape of water, and this isn't in dispute. She recognised AA had said they weren't able to validate the damage as works had already been completed. But she was satisfied that Mr H had provided enough evidence, including photos, a video, a cause of damage report and invoices, to demonstrate the loss and repairs required as a result.

The investigator recognised some items on the repair invoice wouldn't have been necessary due to the loss. So, she recommended AA should settle the remaining items she outlined from the invoice, with 8% interest added from date of invoice payment to date of settlement.

AA didn't agree and said the repairs were unnecessary and excessive. They said the bathroom was usable once the initial leak was repaired.

AA also said Mr H knew about the leak prior to reporting it, had unnecessary strip out works, and placed himself in the position of no facilities. And, in any event, AA said it was likely the claim would have been declined on the basis of the gradual damage exclusion in Mr H's policy.

As an agreement couldn't be reached, the case was passed to me to decide.

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've reached the same outcome as our investigator, and for the same reasons. I'll explain why.

AA doesn't dispute there has been an escape of water. But they have declined the claim on the basis they haven't been able to validate the damage or repairs required, because Mr H had already gone ahead with these. AA argue that Mr H put himself in a position of needing urgent works by completing excessive strip out works, and they say it's likely the claim would've been declined as gradual damage if they had been able to inspect it earlier.

Mr H noticed some paint bubbling on a wall. So, he took actions in the first instance to repair this, by redecorating, but it returned a short time later – around four weeks.

It was at this point Mr H suspected there may have been a leak, so he arranged for this to be investigated further. To enable this investigation to take place, his contractors removed the shower, tiles and part of the flooring.

Mr H has provided a report on the cause of damage from the contractor that investigated, in short, this is summarised as:

- The shower tray and tiling were removed to access the waste pipe
- The waste pipe from the shower had leaked at the joint damaging the floorboards and joists
- There was water damage along the length of the waste pipe causing further damage to the joists and floorboards
- The waste pipe from the shower joined the bath and sink and exited at that point, and leaks were evident at that point too
- Water was also escaping from the waste pipe outside the bathroom to the drain

I'm satisfied Mr H reported the damage to AA when he actually discovered there was a leak. AA hasn't relied on the gradual damage exclusion specifically to decline the claim (instead they have said they were unable to validate it). It wasn't until the strip out that the leak was discovered and the extent of damage became evident, and Mr H then contacted AA at that point. I'm satisfied the actions Mr H took to investigate are reasonable, given the timescales involved, and that he contacted AA when he found the leak.

AA says it would've been reasonable for Mr H to await the surveyor inspecting, rather than having works completed prior to this. However, the surveyor didn't attend until more than a week after Mr H had first contacted AA to let them know of the leak, and the extensive damage that had been found.

In any event, I've listened to the call when Mr H first contacted AA. During this, AA said they would ordinarily send a surveyor to establish damage and repairs as a next step. However, Mr H explained this was his family bathroom and they needed to have washing facilities. AA recognised the urgency of this during the call and agreed that if Mr H didn't have a shower, he would need to go ahead sooner. They told him to keep photos, videos, invoices etc and to submit them to AA – which Mr H subsequently did.

During the call AA didn't raise any concerns about Mr H proceeding at that stage or let him know the implications if he went ahead. So, I don't think it's fair or reasonable to now try to rely on not being able to validate the claim to decline it, when the urgency was recognised during the call. AA didn't raise any concerns at that point, and Mr H proceeded on the basis of the call with AA, and the advice he was given.

AA has also said Mr H had a bath as well as a shower which he could've used. But AA has raised this retrospectively. AA didn't ask Mr H about this in the call, and they recognised he needed to have a shower and didn't have any concerns with proceeding at that point.

With this in mind, I don't think AA has acted fairly or reasonably by declining the claim on the basis they were unable to validate it. I'm persuaded Mr H has provided sufficient evidence to show the cause of the leak and damage from the report, photos, videos and invoices he's provided to AA.

AA has also raised concerns that the invoice for repairs Mr H has submitted is in excess of the escape of water repairs they say would be required.

Our investigator recognised that point in her recommendations to AA. And I agree with the position she reached, and for the same reasons. To summarise, she recommended AA should cover the items on Mr H's invoice which she believed (based on the cause of damage report) were required as a result of the escape of water only.

But she recognised some repairs likely weren't related to that, and they could be removed from the invoice and settlement. So, she said AA should settle the invoice, with a 50% deduction of the tiling costs (i.e. deduct a total of £550 from the tiles), and AA also didn't need to include the costs of underfloor heating or a cupboard.

Having seen the invoice, and all the other evidence in support of the escape of water damage and repairs, I'm in agreement this would be a fair and reasonable settlement in all the circumstances of the case for the escape of water damage (subject to any applicable excess deduction).

I'm also in agreement that AA should also pay 8% simple interest from the date Mr H paid the invoice to date of settlement.

My final decision

It's my final decision that I uphold this complaint in part and direct AA Underwriting Insurance Company Limited:

- Deal with Mr H's escape of water claim and settle the invoice he has provided (subject to any applicable excess). AA can deduct the underfloor heating and cupboard costs, and 50% of the tiling costs (£550) from the invoice and settlement.
- Add 8% simple interest from the date Mr H paid the invoice to the date of settlement

*If AA Underwriting Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 December 2022.

Callum Milne
Ombudsman