

The complaint

Mr and Mrs S have complained about their home insurer Lloyds Bank General Insurance Limited in respect of how it handled their claim, made when they found crack damage to their garage, and because the claim was declined.

This is a joint policy, but Mr S has mainly dealt with the claim and complaint. So the body of my decision will mostly refer only to Mr S.

What happened

Mr S became concerned about the garage at his home when he found some pieces of concrete on the floor nearby. He noticed cracks and made a claim to Lloyds. Three visits by different professionals ensued and Mr S had to chase for updates in between. When he chased following the last visit he found out that the claim had been declined and he should have been told. He complained. Both about how the claim had been handled and because he disagreed with the decision.

Lloyds said that an insured event had to have occurred but that here it seemed the damage had been caused over time by wear and tear – which is specifically excluded from the policy. Mr S didn't think that was the case – that wear and tear would normally suggest being subject to water damage and the like which hadn't, in his view, caused the cracks. He obtained a report from an engineer. In an email Mr S said to his engineer that he understood that the engineer was saying that the garage's structure had likely moved 'over several decades' due to the way it had been constructed. And the engineer said that was correct.

Mr S complained to us and Lloyds considered the new information about the cause of the damage to the garage. It confirmed that it didn't change its view on the claim outcome – essentially that nothing covered by the policy had happened to the garage; it wasn't suffering from subsidence or accidental damage. But Lloyds said it would offer £250 compensation because it accepted that Mr and Mrs S had been caused upset by its failure to handle the claim reasonably.

Our Investigator felt that Lloyds had reached a fair and reasonable decision on the claim. He also felt the offer of £250 compensation was fair and reasonable.

Mr and Mrs S said they accepted the compensation offer. But they maintained their disagreement on the claim outcome. Mr S said there was no evidence of wear and tear occurring to the garage – there'd certainly been no water ingress. And the findings of his engineer showed that what had really likely happened was a structural failure due to the method of construction.

The complaint was referred for an Ombudsman's 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.

I appreciate that it is upsetting for Mr and Mrs S to have their claim declined. And I can assure them that this does not mean that their home or garage was uninsurable. Rather, it's that Lloyds' view is that this damage, on this occasion, was not covered by the policy. With regret for the disappointment I know this will cause Mr and Mrs S, I think that is a fair and reasonable position for Lloyds to take.

Policies of insurance do not usually offer cover for any eventuality. Even those which offer cover for damage 'howsoever caused' usually come with exclusions. But Mr and Mrs S's policy is one based on cover for damage caused by certain perils. So only if damage caused by one of the listed perils has occurred will the claim have a chance of succeeding. Unfortunately for Mr and Mrs S, there is no peril for 'structural failure due to method of construction'. The only two perils in the policy which might have offered some assistance for 'crack' type damage are subsidence and accidental damage.

Subsidence movement is defined in the policy as downward movement of the foundations. Neither of the engineers, that have given views on this damage, found any evidence of the garage's foundations having moved. Rather the debate about the exact cause of damage has centred on the roof and how the connection of the structures at the top of the gable wall have been compromised. So I think it's fair and reasonable for Lloyds to say subsidence has not occurred.

Accidental damage (in summary) is defined in the policy as being damage which occurs suddenly from an external source. As Mr S has clarified to his engineer – the damage in question here has occurred over a long period of time and because of the way the garage was built. So that is not sudden or from an 'external' source. So I think it's fair and reasonable for Lloyds to say accidental damage has not occurred.

There is also the general policy exclusion referenced by Lloyds. From that it referred specifically to damage caused by wear and tear. I know that Mr S feels the damage to his garage is not what one might expect to be classed as wear and tear. But wear and tear is something that happens to the fabric of a building over time – in very general terms it is the result of normal forces acting upon the structure causing it to deteriorate. I don't think that is an unreasonable summary of what the expert engineers say has happened to Mr and Mrs S' garage. Albeit that, on this occasion, the forces in question come from the way in which the garage was built. And I think it was fair and reasonable for Lloyds to rely on this exclusion as part of its reason for declining the claim.

Lloyds has accepted that it did not handle the claim well. I'm satisfied that it could have been handled better – that it could have kept Mr S more up to date, that it should have called him back when promised and that it should have been sure to communicate its decline to him in a timely manner, rather than letting him find out about it as he did. I note Lloyds has offered £250 compensation to make up for the upset Mr and Mrs S were caused, and that they've agreed to this sum. I also think it's fair and reasonable in the circumstances, so I'm going to require Lloyds to pay this to them.

Putting things right

I require Lloyds to pay Mr and Mrs S £250 compensation.

My final decision

I uphold this complaint. I require Lloyds Bank General Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 24 February 2023.

Fiona Robinson
Ombudsman