

The complaint

Mr H complains that AA Underwriting Insurance Company Limited (AA) unfairly declined two claims he made on his buildings insurance policy.

Reference to AA includes its agents.

What happened

Mr H holds a buildings insurance policy with AA. In October 2021 he noticed what he described as a flood in his basement. Water had entered and stayed there. So, he made a claim to AA. AA declined this claim saying there was no insured event as there'd been no flood.

In May 2022, the issue reoccurred, and Mr H made a further claim. AA declined the claim again saying there'd been no flood. But it also said the damage had been caused over time and therefore wasn't covered by Mr H's policy. It says Mr H knew there was a problem with water ingress from the October claim, but hadn't done anything to fix the problem.

Unhappy, Mr H complained. AA didn't change its stance so Mr H brought his complaint here.

One of our investigators recommended it be upheld. She said flood wasn't defined in the policy and there was no sign of existing damage when the first claim was made. So, she thought that claim should have been covered. And, had that claim been covered she thought it likely the second claim wouldn't have been made. She recommended AA reimburse Mr H for the repairs and pay him £400 compensation.

Mr H agreed with our investigator, AA didn't. So, the case has come 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'm upholding it. I'll explain why.

- Mr H's policy covers him for damage caused by a flood. And for damage caused by an escape of water. Flood isn't defined in the policy. We generally think it's fair, where not defined in the policy to describe a flood as a slow and steady build-up of water entering the property. This doesn't have to be a sudden or violent event, or something caused by a natural event. And I think the October claim meets that definition. So, I'm satisfied an insured event occurred.
- The report carried out during that first claim isn't very detailed. But it says the claim *could* be declined *if* the reason for the water ingress to the property was due to a natural rise in the surface water level. It doesn't say this *was* the cause.
- Mr H said this had never happened before. And when he made the second claim it

was found that there was a leak in a pipe serving the gulley – which was the likely cause of the water in Mr H's property.

- AA says Mr H knew there was a leak since October but didn't do anything about it. But I don't think this is fair. He made a claim in October and was told by AA it wasn't covered. I think he was reasonably entitled to rely on that information even if he was unhappy with it. Mr H's policy with AA says AA will pay up to £5,000 in advance to costs it agrees to locate the problem. But its engineer during the October claim didn't locate the problem. Had they done so, I think the claim would likely have been covered, and the second claim wouldn't have been made, as the second flood wouldn't have occurred. I appreciate the first report says no leaks were found by the local water supplier, But I'm still more persuaded that on balance the issue was likely caused by the same pipe issue identified in the second claim.
- I don't find it fair for AA to rely on the gradually operating clause either. As mentioned above I think it's unlikely the second flood would have occurred had the issue been spotted the first-time round. So, it's then unfair to say that damage caused in the interim period isn't covered. Because it wouldn't have occurred had AA diagnosed the leaking pipe at the time of the first claim. And while the report at the time of the October claim isn't greatly detailed, it does indicate there is little damage. So I think it's more likely than not that most the damage claimed for in the second claim, was caused in the period between it, and the first claim.
- I think £400 is a reasonable amount of compensation to pay Mr H in these circumstances. The first claim, in my opinion should have been covered, it not being will have caused distress and inconvenience. But as set out above, I think it more likely than not that the second flood wouldn't have occurred had the first claim been dealt with better. So this will have added to, and compounded any distress and inconvenience caused to Mr H.

My final decision

For the reasons set out above, I uphold Mr H's complaint and require AA Underwriting Insurance Company Limited to:

- Reimburse Mr H the repair costs relating to this claim subject to any policy limits. Payment should also include 8% simple interest. Interest should be calculated for the date Mr H paid the invoice, to the date AA pay him.
- Pay Mr H £400 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 February 2023.

Joe Thornley
Ombudsman