

The complaint

Mr and Mrs P are unhappy that AA Underwriting Insurance Company Limited declined their home insurance claim.

What happened

Mr and Mrs P had a home insurance policy with AA. They noticed some damp in their property and a plumber located a leak from a pipe.

Mr and Mrs P claimed for the damage, but AA said it wasn't covered because the damp ought to have been evident for some time, and therefore it'd be considered as gradual damage – which isn't covered by the policy.

An investigator here looked into the matter and felt that AA had been reasonable in declining the claim for the damage caused by the escape of water itself. But they felt the policy ought to cover the trace and access costs involved.

Mr and Mrs P agreed that was fair, but AA said the fact that the escape of water claim was declined means that the trace and access costs weren't covered either.

Agreement couldn't be reached, so the case has been 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.

I agree with the investigator's conclusions, for largely the same reason. Mr and Mrs P's policy says that it provides cover for trace and access costs. It doesn't stipulate that any further claim for damage caused beyond this needs to have been accepted for the trace and access to be covered.

So, while it may have been reasonable to reject the claim for damage *caused by* the escape of water, it doesn't follow that the damage *caused by* the trace and access work shouldn't be covered as well.

Specifically, the policy says:

“We will pay for loss or damage to the **building** caused by the following:

3. Water or oil as a result of a burst, leaking or overflowing domestic water or heating installation, appliance or piping. This includes damage to any water installation caused by freezing or bursting.

We will also pay up to £5,000 in total for the costs we have agreed in advance for locating the source of the damage including the reinstatement of any wall, flooring or ceiling removed or damaged during the search.”

So, while the policy excludes damage caused gradually it does not exclude damage caused

by the above – what is commonly known as trace and access. The tracing and accessing of the leak wasn't caused gradually. Therefore it is only fair that AA ought to cover the costs set out above – up to the limit – for the work that was required in tracing and accessing the leak, as well as the reinstatement.

If damage was caused outside of that required to trace and access the leak and then reinstate the damage caused by that process, then that would not be covered as per the gradually operating cause exclusion.

While I note that the policy says it does not cover *“Loss or damage arising from gradually operating causes including deterioration, wear and tear, corrosion, rot or similar causes”* and that it could be said the trace and access damage arose from a gradually operating cause (the leak) AA has said itself that the trace and access would've been required inevitably. So, even if the leak had been identified earlier, AA would still have to had to cover that cost.

The purpose of the exclusion above is to prevent insurers from becoming liable for costs which arise – or are exacerbated – due to consumers ignoring the signs that damage may be occurring, and which can lead to costs increasing significantly.

But, if the trace and access (and reinstatement costs) were inevitable then it isn't fair or reasonable for AA to have relied upon that exclusion. And while I appreciate the policy says it provides cover for costs agreed in advance, AA cannot rely on that part of the term as they incorrectly declined the claim and removed that opportunity from themselves.

Putting things right

AA should cover the costs Mr and Mrs P have incurred in tracing and accessing the leak and the cost of reinstatement of the areas *directly* affected by that work. I understand Mr and Mrs P have already paid for at least some of that work to be done, so interest ought to be added to that amount from the date they paid for it until the date the cost is reimbursed.

If any of the work on reinstatement remains outstanding then AA should cover the cost of that to Mr and Mrs P or arrange for it to be carried out by their own contractors.

AA previously offered Mr and Mrs P a compensation payment of £100 for claim handling. They should ensure that is also made unless it has already been made.

My final decision

It is my final decision that I uphold this complaint, I require AA Underwriting Insurance Company Limited to resolve the matter by doing what I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 16 June 2023.

Will Weston
Ombudsman