

The complaint

Mr and Mrs M are unhappy with the way QIC Europe Ltd handled a claim they made for water damage under their home insurance policy.

Reference to QIC includes its agents and representatives.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Whilst having a new kitchen installed, Mr and Mrs M discovered water damage caused by a leaking pipe. They got in touch with QIC to make a claim.
- QIC initially accepted the claim and began the drying process. It said it didn't have any contractors available to carry out repairs and invited Mr and Mrs M to provide quotes for the work. They did so and QIC made an offer to settle the claim.
- Mr and Mrs M didn't think the offer was reasonable as it was substantially less than the quotes they had provided. QIC then withdrew its offer and declined the claim because it said the damage had happened gradually.
- Mr and Mrs M said there had been no visible damage until the kitchen units were removed. So they didn't think it was fair to decline the claim. They also questioned whether it was fair for QIC to have charged two excesses, as they thought all the damage had been caused by one single leak in the kitchen.
- Our investigator didn't think QIC had acted fairly. She agreed the water damage caused by the leak had been gradual. But, in line with the long-established approach of this Service, she didn't think it would be fair for QIC to decline the claim for gradual damage as Mr and Mrs M couldn't reasonably have been aware of it until the kitchen units were removed. She also thought Mr and Mrs M's expectations had been mismanaged by QIC offering to settle the claim and then retracting that offer.
- To put things right, our investigator recommended QIC accept the claim, pay interest on the settlement, and pay £200 compensation.
- Mr and Mrs M accepted this recommendation. QIC didn't. In summary, it thought the evidence did show visible damage. And it said that because the kitchen units were removed prior to QIC inspecting the damage, it had been unable to assess the extent of damage they may have suffered.

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.

The policy covers damage caused by escape of water *but not* when caused by a gradual leak or gradual deterioration. QIC has accepted the damage was caused by escape of water. It's declined the claim because it says the damage happened gradually.

As our investigator has outlined, the longstanding approach of this Service when an insurer relies on a 'gradual damage' policy term is first to consider whether the damage was indeed gradual. And if so, to take a second step and consider whether the policyholder was, or ought reasonably to have been, aware of the ongoing damage prior to making the claim. Only if we consider they were do we usually agree it's fair for the claim to be declined.

Here I think it's agreed by all parties that the leak was gradual. Mr and Mrs M's contractor, who I'll call W, said it 'seemed to have been running for a considerable period of time'. W discovered the leak whilst removing the old kitchen, so I'm satisfied his opinion is relevant and reliable. QIC also thought the damage was gradual.

So the key question for me is whether Mr and Mrs M were or ought to have been aware of the ongoing damage prior to getting in touch with QIC.

QIC says its position has been prejudiced because the kitchen units were removed before it could inspect them. Given the damage was discovered part way through removing the old kitchen and installing a new one, I don't find that unusual or unreasonable. W has been forthcoming and detailed when asked by our investigator to provide his professional opinion about what he found whilst carrying out the work. I note QIC took W's details when looking into the claim, but I haven't seen any evidence to suggest it contacted him to find out more or question his comments. Had it done so, it may have discovered he had photos of the kitchen to share. And it would likely have found out the same detailed information our investigator discovered when she was in touch with W. Because of this, I'm not satisfied QIC's position was prejudiced such that it couldn't reasonably consider the claim.

I've thought about the comments made by QIC and W about the damage, as well as the photos provided. Having done so, I'm not satisfied the evidence shows Mr and Mrs M were, or ought reasonably to have been, aware of the ongoing damage. I'll explain why.

QIC says its photos show tiles debonding due to moisture exposure. It also notes W identified a crumbling wall. I've looked at the report provided by QIC. The photos aren't annotated, so it's unclear which ones QIC think show debonding. And I can't see any of the comments in the report refer to debonding tiles. Nevertheless, I've carefully considered all the photos of tiles, but I'm not persuaded there's clear signs of water damage to them.

W said the leak had been 'hidden by several factors', noting the leaking pipe was situated behind kitchen units. He explained that many of the surface finishes in the kitchen were hard tiles, so the water moved behind the finishes and was hidden until they were removed. And where there weren't hard tiled finishes, such as under the bath, water damage was plain to see. However, it was concealed by the bath panel. I find these comments persuasive and consistent with the conditions shown in QIC's photos.

When our investigator asked for more information about the units, W said they weren't wet to the touch. W also explained that whilst a wall was indeed crumbling, this only became obvious after all the shelving and household contents had been removed. So again, the damage was concealed from view.

Overall, I'm not satisfied the evidence shows Mr and Mrs M were or ought to have been reasonably aware of water damage – until the kitchen units were removed. Once the problem was found, they got in touch with QIC promptly. It follows based on this Service's approach that I'm not satisfied it was fair for QIC to decline the claim for gradual damage.

To put that right, QIC should now settle the claim, subject to the remaining terms and conditions of the policy. As Mr and Mrs M have had the work carried out, the claim will have to be settled by cash payment. That should have happened long ago, so QIC should also add interest to the settlement, from the date Mr and Mrs M paid for the work to the date of settlement, as they've unfairly been without the money for a period of time.

The remaining terms and conditions include the policy excess. I understand QIC intends to deduct two excesses. It has been clear that the damage has been caused by two leaks, although it seems most of the damage was caused by one leak. In principle, that means the cost of putting right any damage caused by the first leak should be paid and an excess deducted from that amount. And any damage caused by the second leak should be paid and an excess deducted from that amount. It will be for QIC and Mr and Mrs M to take the next steps to agree on the amounts to settle each claim for.

Both parties have agreed to the investigator's suggestion of £200 compensation, so I don't think that's in dispute. But for the avoidance of doubt, I agree this is a reasonable amount for the distress and inconvenience avoidably caused by QIC offering to accept the claim and then later retracting that offer and declining the claim.

My final decision

I uphold this complaint. I require QIC Europe Ltd to:

- Settle the claim, subject to the remaining terms and conditions of the policy.
- Add interest to the settlement, at 8% simple per year, from the date Mr and Mrs M paid for the work to the date of settlement*.
- Pay £200 compensation.

If QIC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs M how much it's taken off. It should also give Mr and Mrs M a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 30 March 2023.

James Neville
Ombudsman