

The complaint

Mr Y and Mrs T complain that esure Insurance Limited declined a claim they made under their home insurance policy for a problem with their septic tank.

Reference to esure or Mr Y and Mrs T includes their respective representatives.

What happened

I'll summarise the main points about this dispute:

- Mr Y and Mrs T found their septic tank was damaged. They got in touch with a drainage company, D, about it.
- D inspected the problem. It said the baffle had become detached and that had allowed waste scum to enter the drainage field and cause it to fail.
- Mr Y and Mrs T made a claim to esure for the costs involved in putting the problem right. esure accepted the claim in principle.
- D carried out percolation tests and said the septic tank should be replaced with a sewage treatment plant and a drainage field. It quoted around £22,000 plus VAT for the work. And an additional £1,000 for the tests.
- esure offered around £17,500 to settle the claim. This was the cost quoted by D, less the cost of the new drainage field and without VAT. It didn't agree to pay for the percolation test or the drainage field as it said neither was covered by the policy
- Our investigator thought the complaint should be upheld. He didn't think esure's offer was fair because it wouldn't provide an effective and lasting repair. To put things right, he asked esure to reconsider the offer for the drainage field and the percolation test and to pay £100 compensation.
- esure said the drainage field was far older than its typical lifespan and should have been replaced, regardless of the recent problem. So it was happy with its offer. As it didn't agree to increase its offer, the complaint has been passed to me.

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.

- There's no dispute the septic tank damage is covered by the policy. esure has made a cash offer to settle the claim which covers most of D's quote. The only matters in dispute are whether the offer should be increased to include the drainage field and/or percolation test – and whether esure should pay compensation.

- The policy doesn't cover damage to soakaways. It's arguable whether the arrangement at Mr Y and Mrs T's property amounts to a soakaway or a drainage field. But I don't think that matters in this case. I'll explain why.
- Even if the arrangement is a soakaway – and therefore any damage to it isn't covered by the policy – I must consider whether this position would produce a fair and reasonable outcome in the circumstances.
- D was clear from the outset that the drainage field or soakaway had failed. It had become blocked by the scum and wasn't allowing waste to disperse from the septic tank and safely away as it ought to. esure appointed its own drainage contractor, who agreed with D about this.
- So there's no doubt that the drainage field or soakaway in its current state is unable to perform as it should do. Whilst esure has referred to the age of the drainage field or soakaway, neither drainage contractor identified this as the primary cause of the problem. That gives the firm impression that the drainage field or soakaway was working effectively until the recent septic tank damage changed things.
- esure is prepared to pay for a replacement tank and most of the associated costs. If Mr Y and Mrs T replaced the tank with the existing drainage field or soakaway, it seems likely – if not inevitable – that it wouldn't be able to drain household waste as it should. That means the drainage problem Mr Y and Mrs T claimed for won't have been resolved in a lasting and effective way. I'm not satisfied that would put them in a fair and reasonable position. So I'm not satisfied esure's offer is fair.
- To put things right, esure should pay for the new drainage field. I understand the percolation test was necessary to determine the specification of the drainage field. So I think esure should pay for that too. These costs total £5,450 without VAT.
- The rest of the claim was settled without VAT on 4 October 2022. Had the claim been handled fairly, the settlement would have included this additional amount. So I think interest should be added to it.
- After Mr Y and Mrs T had the work carried out, they returned to esure for the VAT. This was paid on 28 November 2022. Similarly to the point above, if £5,450 had been part of the settlement, the VAT of £1,090 on it would have been paid at this time. So I think interest should be added to it.
- Our investigator suggested esure should pay £100 compensation for the inconvenience caused as a result of declining part of the claim. Mr Y and Mrs T agreed with that and esure hasn't challenged it. I'm satisfied it's fair and reasonable in the circumstances.

My final decision

I uphold this complaint.

I require esure Insurance Limited to:

- Pay £5,450 and £1,090 to settle the claim.
- Pay interest on £5,450 at 8% simple per year, from 4 October 2022 to the date of settlement*

- Pay interest on £1,090 at 8% simple per year, from 28 November 2022 to the date of settlement*
- Pay £100 compensation.

*If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr Y and Mrs T how much it's taken off. It should also give Mr Y and Mrs T 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 Mrs T and Mr Y to accept or reject my decision before 16 October 2023.

James Neville
Ombudsman