

## The complaint

Mr and Mrs M complain that AA Underwriting Insurance Company Limited unfairly rejected an escape of water claim under their home insurance policy.

Both Mr and Mrs M are named policyholders on their AA policy, so any claim or complaint is brought by them both. But for simplicity, and because most of the information about the complaint has been provided by Mr M, I'll refer mainly to Mr M from here onward.

## What happened

Mr M had home insurance with AA. He also had separate home emergency (HE) insurance with another insurer.

In March 2022, he noticed a leak in his bathroom. He made a claim on his HE insurance. His HE insurer appointed an engineer to investigate the leak. The engineer tried to fix the problem twice before identifying the likely true source of the leak – a pipe behind the bathroom wall. At that stage, the engineer advised Mr M to contact his home insurance provider. Mr M contacted AA on 23 June 2022.

AA appointed a surveyor to examine the leak. It said its surveyor's photos showed "*mould... and quite extensive damage, which indicates that the leak has been going on for a period of time.*" It concluded the damage resulted from "*gradually operating causes*", told Mr M this meant the damage wasn't covered by his policy, and declined the claim.

Mr M was unhappy with this and complained to this service. He told us he paid just under £2,500 (including VAT) for repairs and wants AA to refund this.

Our investigator didn't recommend that Mr M's complaint should be upheld. He agreed that Mr M didn't tell AA about the leak for three months, so was satisfied that it could rely on the policy exclusion to decline the claim. Mr M disagreed with our investigator, so the case was passed to me to consider.

## My provisional decision

I issued a provisional decision on this complaint on 13 April 2023. I said:

*"Like most policies, Mr M's cover only makes AA liable for damage caused by certain insured events listed in his policy booklet. The policy booklet also sets out some "general exclusions" to cover. AA declined Mr M's claim based on one of these general exclusions, set out on page 8 of his policy booklet: "Loss or damage arising from gradually operating causes including deterioration, wear and tear, corrosion, rot or similar causes." It said Mr M first noticed the leak in March 2022 but didn't report it to AA until June, so the damage had been caused by a gradual leak over three months.*

*However, that exclusion is typically applied where a policyholder has ignored a long-standing problem or tried to fix the problem themselves. That's not the case here.*

*Mr M discovered the leak on or around 10 March. I haven't seen any evidence the leak*

*started before this. Indeed, AA's surveyor's report notes that the leak is consistent with Mr M's claim and AA's correspondence with Mr M appears to accept the leak started in March 2022. For the avoidance of doubt, I accept Mr M's evidence that the statement in the surveyor's report that he "didn't think too much of" a mark on the ceiling is incorrect. The evidence shows he contacted his HE insurer as soon as he noticed it.*

*Mr M told us he thought going through his HE insurer was the correct approach. I agree that fixing a water leak would be seen as an emergency so I can understand why he contacted his HE insurer rather than AA. I also think it's reasonable that Mr M continued to rely on his HE insurer while its engineer tried to find the true source of the leak. While it took this engineer several attempts and over two months to find the source of the leak, this wasn't Mr M's fault.*

*AA's internal notes suggest Mr M should have appointed another engineer to attend when the original engineer cancelled appointments on 30 March and 11 April. I don't agree. At the time, Mr M was relying on his HE insurer to arrange repairs, so this was largely out of his control. In my opinion, AA's argument that Mr M should have arranged for another engineer to visit his home isn't reasonable.*

*I've also thought about what would have happened if Mr M had contacted AA in March 2022. I accept it's possible AA's engineer might have identified the source of the leak earlier and limited the damage. But I think it's equally possible that AA's engineer would have followed the same process as the other insurer's engineer. That is: replace the seal, then the shower trap, before finally identifying the true source of the leak in a pipe behind the bathroom wall. In my opinion, there's no guarantee that Mr M notifying AA any earlier would have limited the damage.*

*Overall, I'm satisfied that Mr M took all reasonable steps to fix the leak through his HE cover before he contacted AA. I don't think it was fair or reasonable for AA to rely on the policy exclusion to decline his claim. I think it should settle the claim in line with the remaining policy terms. Mr M has already paid for repairs so I think AA should refund the cost of this, plus interest, less the policy excess.*

*Finally, I think AA's decision to decline the claim caused Mr and Mrs M unnecessary inconvenience. They had to arrange for the bathroom to be repaired at their own expense which meant they had a damaged bathroom until repairs were completed in September 2022. I think AA should compensate Mr and Mrs M for this. I've considered the amount this service has awarded in similar circumstances and think it should pay them £200 to reflect the inconvenience they suffered."*

## **Responses to my provisional decision**

Both parties accepted my provisional decision and had nothing to add.

## **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.

Given both parties accepted my provisional decision and had nothing further to add I see no reason to change my findings. I find that AA's decision to decline Mr and Mrs M's claim was unreasonable for the reasons set out in my provisional decision.

## **My final decision**

My final decision is that I uphold the complaint and require AA Underwriting Insurance Company Limited to:

- Settle Mr and Mrs M's claim in line with the remaining policy terms by refunding the cost of repairs, less the policy excess.
- Add interest to this amount at 8% simple per year from the date Mr M paid his engineer to the date of settlement.
- Pay Mr and Mrs M £200 to reflect the inconvenience its decision to decline the claim caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 2 June 2023.

Simon Begley  
**Ombudsman**