

## **The complaint**

Mr R complains that Royal & Sun Alliance Insurance Limited ("RSA") declined his claim on his property insurance policy.

## **What happened**

Mr R owned a property that was unoccupied. In January 2022 he took out insurance for the property through a broker, that was underwritten by RSA.

In December 2022 he made a claim after he discovered a leak from an internal water pipe in the loft. RSA declined the claim. It said there was an endorsement in the policy that excluded damage caused by an escape of water from an interior fixed heating or domestic water installation. And this would apply to the cause of the escape of water here, so cover wouldn't apply.

Mr R didn't think this was fair. He said he didn't agree the pipe would meet the definition of a fixed water installation as he said it was built into the walls of the building and couldn't be removed or changed as a washing machine or dishwasher could be. He also thought the wording of the policy was ambiguous and unclear. He made a complaint but RSA didn't uphold it, so he brought it to this service.

Our investigator thought the complaint should be upheld. She said the endorsement RSA had relied on was a significant and onerous exclusion, so it had a responsibility to ensure it was made clear in the paperwork provided at the point of sale. And she didn't think RSA had done that. She therefore thought it should consider Mr R's claim in line with the remaining policy terms, pay 8% interest on any reasonable costs Mr R incurred as part of the claim and pay £150 compensation to apologise for the inconvenience caused.

Mr R accepted our investigator's outcome, however RSA didn't. It said the endorsement was clearly laid out on the policy schedule. And the broker had told it that it pointed it out to Mr R at the point of sale.

As agreement hasn't been reached, the complaint 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.

The endorsement that RSA has relied on here to decline the claim is as follows:

*‘Cover is hereby excluded in respect of any loss of damage resulting from Escape of Water (Peril 6 Buildings and Peril 6 Contents) from any interior fixed heating or domestic water installation, washing machine or dishwasher.’*

Mr R purchased an insurance policy for his unoccupied property. It is standard for a home insurance policy to include cover for escapes of water, and as the property was unoccupied, this would likely be a key area of cover for Mr R.

I therefore consider the endorsement to be an unusual and restrictive term. As it reduces cover for escapes of water significantly. And it is an unusual term for a policy to include.

Under guidance issued by the Financial Conduct Authority (FCA) insurers are expected to highlight significant and unusual terms clearly and outside of the main policy terms.

I’ve looked at the important information document and the policy schedule that RSA issued to Mr R at the point of sale.

On the Insurance Product Information document it lists the key inclusions of the policy which includes:

*‘Loss or damage to your buildings caused by things such as fire, lightning, earthquake, storm, flood, escape of water or domestic heating fuel, theft, malicious damage, subsidence, heave and landslip’*

It also lists key exclusions and restrictions on the cover, stating:

*‘Are there any restrictions on cover?’*

*Theft cover is limited to forcible or violent entry*

*Any amount exceeding £500 from any outbuildings relating to the peril of theft.*

*Any amount exceeding £2,500 from any outbuildings relating to the peril of Contents*

*Temporarily Removed.’*

So while the document mentions that cover is included for an escape of water, it doesn’t include any mention that this cover is significantly restricted. Even though it includes a section that specifically highlights restrictions of the policy. For an exclusion that reduces cover to such an extent, I’d expect it to be highlighted here.

The endorsement does appear on the policy schedule. However it appears on the third page of the document. And as this was provided with an important information document that appeared to draw out the key aspects of the policy, I don’t think this made such a significant policy term clear enough. I therefore don’t think RSA met its obligation to appropriately highlight the term to Mr R.

I note that Mr R bought his policy from a broker. And RSA has said that the broker told it that they did bring the endorsement to Mr R’s attention when the policy was sold. However RSA has provided no evidence to support this, other than a statement from the broker with their recollection of a phone call.

Further, the complaint I’m considering here is against RSA and not the broker. And it is responsible for ensuring its policy terms are clear in the documentation that is provided to the customer. This allows the customer to make an informed decision about the cover they’ve purchased, and if they find it’s not suitable, cancel the policy within the 14 days cooling off period. And for the reasons I’ve set out, I don’t think RSA met its obligation to ensure the policy term was made clear.

Based on this, I think Mr R wouldn't have reasonably been aware of the endorsement in the policy. And as it was so restrictive and of such importance to policy cover, if he had, he most likely would have sought to obtain a policy that did contain full cover for escape of water.

For this reason, I agree with our investigator that RSA should put him back in a position that he would have been in if the term had been clear – with a policy that includes escape of water cover. So it should consider the claim in line with the remaining terms and conditions of the policy, without applying the endorsement. In the event of a successful claim, if Mr R has made any payments towards claim related costs already, RSA should reimburse these and pay 8% simple interest to make up for the time he has been without the funds.

In declining the claim initially, RSA has caused Mr R some distress and inconvenience. So I agree it should also pay £150 compensation to apologise for this.

### **My final decision**

For the reasons I've given, I uphold Mr R's complaint and direct Royal & Sun Alliance Insurance Limited to:

- Consider Mr R's claim in line with the remaining policy terms and conditions, without applying the endorsement.
- In the event of a successful claim, reimburse Mr R for reasonable claim related costs plus 8% simple interest on these amounts from the date they were paid for until settlement is paid.
- Pay Mr R £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 December 2023.

Sophie Goodyear  
**Ombudsman**