

The complaint

Mrs K complains that due to delays in Lloyds Bank General Insurance Limited's (Lloyds) handling of a claim she made for escape of water damage, her contents items have been caused secondary damage.

What happened

Mrs K returned home in December 2022 to discover an escape of water from a burst pipe in her loft had caused extensive damage. She made a claim to Lloyds, her building insurer.

Lloyds said that Mrs K only had buildings cover, so any contents damaged by the escape of water wouldn't be covered. Lloyds also needed additional information from Mrs K about her occupancy of the property before the claim could be accepted.

Ultimately the claim was accepted in February 2023 and strip out works could then proceed, and from my understanding, repairs are still ongoing. However, Mrs K complains that because of Lloyds' handling of her claim, her contents have been caused secondary damage, so she wants Lloyds to cover the cost of these.

Across the claim and complaints Mrs K raised, Lloyds paid £225 compensation for their handling of the claim including delays.

As Mrs K remained unhappy, she approached this service.

One of our investigators looked into the complaint but he didn't uphold it. He said there was no evidence to support Lloyds was responsible for the reported secondary damage to Mrs K's contents, so he didn't recommend they do anything further.

Mrs K didn't agree and asked for a final decision from an ombudsman.

I was minded to reach a different outcome to our investigator, so I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

As I’ve reached a different outcome to our investigator, I’m issuing a provisional decision to give both parties an opportunity to comment on my initial findings before I reach my final decision.

Having looked into what Mrs K has complained about, to both Lloyds and this service, I think there has been some confusion by our investigator. I say this because it’s clear from all the information provided, including Mrs K’s communication with Lloyds, that she is complaining her contents have been secondary damaged by mould. Whereas in communication with our investigator at one point, Mrs K mentioned moths and it’s this, rather than mould damage, which the investigator solely focussed on.

If it was this, then I agree with the outcome the investigator reached that there isn’t any evidence to support moth damage as a result of Lloyds’ actions. However, I’ve considered the alleged secondary mould damage. And I’m minded to conclude, on balance, that Lloyds is responsible for this and needs to do more here to put things right. I’ll explain why.

Mrs K doesn’t have contents cover under her insurance policy with Lloyds. From all the information that has been provided, it appears Mrs K used to have this cover, but she removed it in 2020 and hasn’t had that cover since. So, Mrs K can’t claim under her insurance policy for damage caused solely by the escape of water to her contents items.

However, Mrs K is complaining that Lloyds’ actions have resulted in secondary damage by mould to her contents, and they now need replacement solely due to this, rather than the escape of water.

The claim was reported in December 2022 and Lloyds arranged for a claims handler to be appointed. Following early discussion with Mrs K, communication broke down and Mrs K asked for a different claim handler to be appointed, but none were available at that time. During this period, Lloyds also required further information from Mrs K surrounding her occupancy of the property. Ultimately Lloyds obtained all the information they required in February 2023, which meant the claim could then proceed.

Lloyds is entitled to ask reasonable questions in order to validate a claim. And I think it did so here by asking questions about occupancy of the property. There were some points where questions could have been asked sooner, and delays occurred, and Lloyds has recognised this, by paying a total of £225 compensation across the claim and complaints.

However, during this time of claim validation, the property had drying equipment installed, but couldn’t effectively dry until strip out works were completed. And this didn’t happen until the end of March 2023. And Lloyds’ contractor had already highlighted how damp the property was during their inspection in December 2022 before things went on hold, and that stripping out needed to be completed to allow the property to dry:

"I would recommend all downstairs rooms inclusive of the stairwell are stripped back to brick and the ceilings dropped as they are holding moisture which is visible."

And after the occupancy question had been resolved and the claim was agreed in February 2023, there were concerns raised by Lloyds' agent that the property wasn't drying – but stripping out wasn't then completed until late March 2023.

This meant that from December 2022 to March 2023, the property remained cold and very wet. Whilst there was drying equipment in the property from early on in the claim, this wasn't effective due to the strip out not being carried out and the wet carpets remaining in situ. This resulted in Mrs K's contents items which remained in the property being subjected to cold and damp conditions for several months over the winter period.

Mrs K was made aware that the contents damaged by the leak wouldn't be covered from the outset (although she didn't agree), and she moved the undamaged items away from the damaged rooms. However, from the information provided, Lloyds identified that the contents would likely be damaged by mould if they remained in the property, and this was noted from the outset in the drying company report carried out on 28 December 2022:

"PH has put contents in the conservatory area for the most part however these are going to start to mould due to the elevated relative humidity readings"

But I can't see that Mrs K was ever told about the risk to her contents after this was identified in December 2022. And this is reflected in Lloyds' complaint investigation where they asked those involved in the claim - but they didn't advise of any discussions or advice given:

"Action was taken by the customer to move some assumed unaffected contents into the conservatory but they have now succumbed to the moisture present and some mould. The kitchen is full of mould now and already water damaged but some contents were present and affected also. Carpets would have been damaged by the leak so I don't feel the delay affected these further.

The customer wouldn't have had any idea how long we would take to agree the claim but in hindsight could have removed some carpet herself to remove moisture – if we had recommended this then maybe some further contents could have been saved."

Therefore, Mrs K's contents remained in the cold and damp conditions to when the stripping out was started in mid-March 2023, and were subject to mould growth and damage as a result. Given Lloyds were experts in claims, compared to Mrs K, it would have been reasonable for Lloyds to provide guidance to Mrs K about what she needed to do to mitigate any further damage.

And given the condition of the property, Mrs K would have had limited knowledge of what was happening inside her property, either that it wasn't drying and remained very wet, or that damage was being caused by mould whilst Lloyds' investigations were ongoing. And whilst Lloyds is entitled to ask reasonable questions about the occupancy of the property, as they already recognise, Mrs K would have had no idea how long this would take.

The notes also reflect that Mrs K had raised her own concerns about potential for damage to be caused to her contents whilst they remained in her damp property. But no advice appears to have been given by Lloyds after that point.

So, whilst Mrs K took action to mitigate damage to her undamaged contents immediately following the escape of water, and flagged her concerns with Lloyds later into the claim, I can't see that she was made aware that damage was actually being caused whilst they remained in a cold and damp property for several months, or that she needed to do anything to avoid this.

The notes indicate Lloyds recognised what had happened when they visited in February 2023:

"(Drying Company) air movers were on to try and prevent further damage but mould is evident all in the kitchen, on contents, in cupboards and surfaces.

The carpets are still in situ and the plaster and ceilings/walls still showing wet due to the vinyl paint trapping moisture and sold (sic) brick wall in the middle of the house visible where plaster has fallen off is sodden.

Contents from the bedroom and kitchen have been emptied apart from larger goods inc fridge freezer, cupboard, dresser then sofas, curtains misc contents placed in the lounge and conservatory."

Lloyds already noted Mrs K was overwhelmed and distressed with what had happened and was struggling with the claim. And as experts in insurance claims, I think Lloyds should have done more in relation to providing guidance to Mrs K about what was happening with her undamaged contents, and what she needed to do to mitigate any damage. But they didn't, and due to this they were caused secondary damage by mould.

So, I think Lloyds failing to do this has resulted in secondary damage being caused to previously undamaged contents items, so I'm minded to conclude that Lloyds needs to deal with these items.

However, its unknown at this stage what items are damaged solely by them remaining in the property, rather than by the escape of water itself. Therefore, I can't direct Lloyds what items they need to specifically consider or settle at this stage. Therefore, unless anything changes as a result of the responses to my provisional decision, I'll be directing Lloyds to consider Mrs K's contents items, which were solely damaged as a result of remaining in her property after the escape of water.

If my final decision remains the same as my provisional decision, then both Mrs K and Lloyds then will need to discuss the damaged items, and Mrs K will likely need to provide information to Lloyds to be able to consider this further. Lloyds will then need to make an offer to Mrs K for those damaged items. If Mrs K remains unhappy with the settlement that Lloyds ultimately then offers, she'll need to raise this with Lloyds as a new complaint, before referring back to this service if she remains unhappy - in accordance with our usual rules and timescales.

It's clear that having your home extensively damaged will be distressing in itself, and also discovering you don't have contents cover will significantly add to this. However, I think Mrs K has been caused additional distress by her undamaged contents being caused secondary mould damage, as a result of Lloyds' handling of the claim. With this in mind, in addition to the £225 compensation already paid, I'm also minded to direct Lloyds to pay Mrs K a further £250 compensation."

So, I was minded to uphold the complaint and to direct Lloyds to consider Mrs K's contents items that suffered secondary damage as a result of remaining in the damp property, and to pay Mrs K a further £250 compensation.

The responses to my provisional decision

Lloyds responded to say they agreed with the provisional decision.

Mrs K also said she agreed with the provisional decision. She attempted to send some additional videos of her property during the claim but was unable to do so. She asked if I had seen the images and videos she sent previously.

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.

And I've thought carefully about the provisional conclusions I reached.

To reassure Mrs K, I have seen the images and videos she sent in previously of her property after the loss occurred, and they were taken into account when reaching my provisional decision.

As neither party has provided anything which would lead me to depart from my provisional findings, my final decision remains the same as my provisional decision, and for the same reasons.

As I outlined in my provisional decision, it's unknown at this stage what items are damaged solely by them remaining in the property, rather than by the escape of water itself. Therefore, I can't direct Lloyds what items they need to specifically consider or settle at this stage.

If Mrs K accepts my final decision, both Mrs K and Lloyds will need to discuss the damaged items, and Mrs K will likely need to provide information to Lloyds to be able to consider this further. Lloyds will then need to make an offer to Mrs K for those damaged items.

If Mrs K remains unhappy with the settlement that Lloyds ultimately then offers, she'll need to raise this with Lloyds as a new complaint, before referring back to this service if she remains unhappy - in accordance with our usual rules and timescales.

My final decision

It's my final decision that I uphold this complaint and direct Lloyds Bank General Insurance Limited to:

- Consider Mrs K's contents items that suffered secondary damage as a result of remaining in the damp property
- Pay Mrs K a further £250 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 13 October 2023.

Callum Milne
Ombudsman