

The complaint

Mr G complains that Covea Insurance plc has declined his property owner's policy claim as it believes some of the damage to his house is due to lateral movement rather than subsidence.

What happened

Mr G noticed cracking in his house and so claimed on his policy with Covea for damage caused by subsidence. Covea reviewed the claim and assessed the damage to Mr G's house. All the reports Covea commissioned about the damage agree the damage to Mr G's house is caused by subsidence. They say the cause is due to clay shrinkage of the soil which has been caused by the vegetation around the property. Because of this, Covea accepted the claim.

Covea later said the front elevation of the Mr G's house was also suffering from lateral movement. It said this wasn't covered by the policy and so let Mr G know the damage caused by lateral movement wasn't covered. Mr G didn't think this was fair and complained. He said Covea had agreed the property was damaged due to subsidence.

Covea reviewed the complaint and didn't uphold it. It said lateral movement is not an insured event under the policy and therefore said it isn't covered. Covea also referred to a term which says it doesn't cover damage caused by defective design or workmanship. Mr G referred his complaint here as he didn't agree with Covea's response.

Our investigator reviewed the complaint and found that none of the reports provided by Covea supported its position that the issues with Mr G's house were the result of lateral movement. She therefore thought all the damage listed was the result of subsidence so recommended Mr G's complaint be upheld. She said Covea should deal with the claim and carry out a lasting and effective repair to Mr G's house.

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.

Mr G's policy provides cover for subsidence, he originally raised a claim for subsidence in 2020. On 6 October 2020 a report was done on Mr G's house which said: "The pattern and nature of the cracks is indicative of an episode of subsidence. The cause of movement appears to be clay shrinkage." The report goes on to say that following the completion of the tree management works that monitoring should be completed to confirm the property is stable.

A schedule of works was issued on 18 June 2021 which lists the repairs needed to Mr G's house. I'm unable to see anywhere in this report where it highlights or shows damage which wouldn't be covered.

Another report was issued on 14 August 2022 where it says: "Your customer's property has

been damaged by subsidence related movement. Our investigations have confirmed that this movement has been caused by clay shrinkage exacerbated by the effects of vegetation in the vicinity of the damaged area. The claim has been validated and liability accepted under the terms of the policy subject to an excess of £1,000.00."

I asked our investigator to e-mail Covea, which they did on 16 November 2023, to request which part of the property was suffering from lateral movement and asked for evidence of this. Covea hasn't provided evidence, other than its comments stating there is lateral movement, which show which part of Mr G's property has lateral movement.

In the final response letter Covea confirms lateral movement isn't an insured peril and relied on an exclusion which says: "We will not be liable for damage caused by defective design or workmanship or defective materials." While I agree that it appears lateral movement isn't covered by the policy for these reasons, Covea hasn't shown Mr G's property is suffering from lateral movement.

I'm therefore not satisfied Covea has acted fairly by saying damage reported by Mr G in relation to this claim isn't covered by the policy. From the reports provided all the damage listed in them is related to subsidence and therefore covered by the policy. To put things right Covea needs to repair the damage reported in this claim, in line with the remaining terms and conditions of the policy.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require Covea Insurance plc to repair all damage reported in this claim, in line with the remaining terms and conditions of the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 January 2024.

Alex Newman
Ombudsman