

The complaint

Miss S complains about the way Zurich Insurance PLC handled a claim under a buildings insurance policy.

What happened

The details of this complaint are known to all parties, so I won't repeat it here. Instead, I'll summarise my understanding and focus on giving the reasons for my decision.

Miss S is the leaseholder of a flat in a building insured with Zurich. In 2020, she found water damage to her bathroom and kitchen, so she raised a claim which Zurich accepted.

Zurich appointed a leak detection company, and several reports were provided to it. Within the first three reports, further investigations were recommended – including gaining access to other flats in the building to investigate the source of the leak. A fourth report that took place in 2021 found, broadly, that a further inspection of the apartment/s adjacent to Miss S's flat was required, and the contractor that carried out the report had been refused access to a neighbouring flat at the time of their visit.

Zurich say it is responsible for reinstating any property damage resulting from the water entering Miss S's property. And the freeholder of the building (the policyholder) was responsible for making good any repairs to the source of the leak which was considered to be coming from a soil stack. The freeholder completed repairs in August 2022. Repairs to the internal parts of Miss S's property, however, remain outstanding.

Miss S complained to Zurich in March 2022. She says Zurich appointed four loss adjusters to handle the claim, communication was poor, and no steps were taken to put her flat back into the condition it was in prior to the initial incident. She says she's been living in an unhealthy and dangerous flat, with a hole in the bathroom floor, and mould growth. And says all parties involved in the claim – Zurich, its agents, and the freeholder, have failed to keep her updated at all.

To resolve her complaint, she wanted a comprehensive response to it, someone to be appointed by Zurich to oversee the claim to a resolution, repairs completed, and compensation for the prolonged distress and inconvenience caused to her.

Zurich responded to the complaint in September 2022. It said, broadly, that following repairs to the soil stack, they were satisfied there was as much evidence as they were likely going to get that the leak had been resolved. And if damage did recur it would be covered by the policy. It said it wasn't responsible for carrying out repairs to the building to resolve the source of the leak. And once the source was discovered, it was for the freeholder to arrange the necessary repairs.

It also said the lack of contact was mainly due to the fact it wasn't responsible for repairing the leak, and again, once it was found, it was the responsibility of the freeholder to make repairs. It paid Miss S £150 compensation to recognise the poor handling of the complaint.

Miss S told Zurich she wasn't happy with this. She accepted the freeholder was responsible for repairs to the source of the leak, but Zurich caused delays when approving the recommendations made by the leak detection company which prolonged the claim. And if this was done more promptly and communication with the freeholder was better, this would have moved the claim along more quickly. She also says Zurich should have included a provision for removing damaged and mouldy flooring sooner, and de-humidifiers earlier.

As Miss S wasn't happy with the response from Zurich, she asked our Service for an impartial review.

The investigator didn't recommend the complaint be upheld. She thought delays were mainly attributed to the freeholder not resolving the leak at source. And Zurich couldn't begin internal repairs until this had been done. She thought Zurich could have handled matters better at times – and with a higher level of customer service, but felt £150 compensation was fair and reasonable. Miss S didn't agree and so the case was passed to me for a decision.

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.

Having done so, while I accept my decision will come as a disappointment to Miss S, I'm not upholding the complaint. I'll explain why.

Before I do, it's important to say I'm only considering the complaint points raised by Miss S that Zurich responded to in November 2022. Matters Miss S is unhappy with that occurred after this date will need to be directed to Zurich in the first instance for it to have the opportunity to respond to.

I think it's fair to say this claim was complex in nature. I say this because it took multiple visits from a specialist leak detection firm and reports concluded that further investigations were needed. That included gaining access to neighbouring flats which caused challenges, and it seems much of the work done during these visits was to rule out what *wasn't* causing the leak. Then, following several visits, in 2021, the leak was said to have been likely coming from a soil stack and an inspection was required in a neighbouring flat, but the contractor wasn't given permission to do this at the time.

The claim notes show the loss adjuster contacted the freeholder following the visits from the leak detection company. They said despite these visits to establish the location of the source, water continued to get in to Miss S's flat. It was clear water was coming from above and was located in the soil stack which ran through four flats, although the leak detection firm were unsure of which flat the source was located.

They said as the soil stack's a communal part of the building, they assumed it was the responsibility of the freeholder to appoint contractors to establish the cause of the leak and repair it. The freeholder responded to say the problem had been reported to the repairs team and an inspection would be arranged.

The loss adjuster chased the freeholder a month later, and then again in March 2022. The freeholder was responsible for carrying out the further inspections and making the repairs during this period.

The claim notes also show Miss S chased the freeholder after she was contacted by them in February 2022 when asking her for an update. She informed the freeholder that Zurich were unable to carry out internal repairs until the freeholder carried out the necessary work on the

soil stack as instructed to by Zurich a few months prior.

Miss S followed up with the freeholder again in June 2022 to say she was disappointed the freeholder failed to see the soil stack as a communal responsibility. And the issues remained unresolved meaning she was living in a property with water getting into it. Then, after further visits by contractors appointed by the freeholder, the source of the leak was said to have been resolved in August 2022.

I think it's reasonable to apportion some responsibility for the delays Miss S experienced to the way Zurich handled the claim. I say this because communication throughout could have been better, and it seems, based on the claim notes, that it didn't contact the freeholder of the building until October 2021 – many months after the initial report of the claim. I think that's because though the likely source of the leak wasn't established until several visits from a leak detection specialist which later found it to be coming from a communal soil stack.

As mentioned above, that was the responsibility of the freeholder to resolve. And I think it's also fair to apportion some responsibility for the delays to the freeholder for the time taken to carry out repairs to the leak. Repairs were completed by the freeholder roughly 11 months after being notified by Zurich that the leak was likely located on a communal soil stack they were responsible for repairing.

Zurich's liability for the claim was ultimately to indemnify Miss S by repairing the resultant internal water damage. And that couldn't start until the freeholder carried out the necessary repairs to the soil stack. So, while I do think Zurich could have done more here to keep Miss S updated, ultimately it was the responsibility of the freeholder to repair the leak so Zurich could start repairing the internal areas of damage in Miss S's flat.

I've thought about whether Zurich could have informed the freeholder sooner that a problem in the building was causing damage to Miss S's flat and needed to be resolved by them. And in doing so, I think it could have.

The soil stack was mentioned within the first report from the leak detection specialist. Although, the recommended follow up investigations pointed to cutting into the boxing in the bathroom housing the waste and pipework and testing sanitary ware to establish whether there was an escape of water in this area, or not.

The second report says the contractor tested the toilet and hand basin, but no faults could be seen, and pipework in that area was holding water. But they recommended access be gained to the above flats to test facilities which used the soil stack that ran within the wall void of Miss S's flat as it might be that water is entering from a neighbouring property.

A third visit took place, and a report was completed. Tests were carried out in flats above Miss S's flat. It was again established that further tests needed to take place in flats on the third and fourth floor of the building.

A fourth report was completed following another visit. The report says the client was Zurich, and the report was submitted to it for consideration on 30 March 2021. Again, the report concluded further investigations were recommended be undertaken to the adjacent side of Miss S's property, and access was refused during this visit.

Given access was required to neighbouring properties, I think Zurich ought to have done more here to engage with the freeholder of the building sooner. I say this because while further investigations were needed, it was clear other areas of the building – and residents – needed engaging and so contact with the freeholder should have been done sooner.

It seems Zurich were slow to engage with the reports from the leak detection company because the evidence shows gaps between them attending, to reattending to carry out the further inspections that were needed.

So, I've thought about that and the overall impact that had on the claim. And I must look at things objectively here. Having done so, while I do think Zurich could have handled matters better during the period investigations were ongoing to locate the source of the leak, I've also kept in mind that once the freeholder was engaged, it took roughly 11 months for the soil stack problem to be confirmed as resolved.

Therefore, in concluding here, I acknowledge this was a difficult time for Miss S having to live in a water damaged property for a prolonged period while investigations into the source of the leak were carried out, and several parties being involved. I do think Zurich ought to have done more here during the investigation stage to progress things more promptly and keep Miss S better updated. But I also think much of the issues Miss S faced were the result of the freeholder of the building failing to carry out the necessary repairs to the soil stack promptly. This resulted in the claim halting given the internal repairs in Miss S's flat couldn't begin until the water getting in was stopped at the source.

I think £150 compensation recognises the lack of communication and delays Zurich were responsible for during the investigation stage of the claim into the source of the leak. I think Zurich ought to have engaged with the freeholder sooner given areas of the building – including neighbouring flats – required further investigations. This could have helped aid a smoother claim journey for all parties involved.

But I've also kept in mind here that I cannot apportion the responsibility for the delays entirely to Zurich. I say this because Miss S also encountered problems and delays with the freeholder of the building to carry out repairs promptly. Repairs that were required to happen first before Zurich could start works to put right the water damage inside her flat. This was ultimately Zurich's liability for the claim. Therefore, it follows, I don't require Zurich to take any action here.

I accept my decision will come as a disappointment to Miss S. But my decision ends what we – in attempting to resolve her dispute with Zurich – can do for her in this complaint.

My final decision

For the reasons I've mentioned above, my final decision is I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 27 February 2024.

Liam Hickey
Ombudsman