

The complaint

Mr and Mrs M complain that Lloyds Bank General Insurance Limited (LBG) declined their claim for the cost of repairing damage caused by trace and access.

Mr and Mrs M had buildings and contents insurance underwritten by LBG. The policy was in joint names but, for ease of reading, I'll refer only to Mr M throughout my decision.

What happened

Mr M had a leak which was handled separately by his home emergency insurer (which I'll call HEI). He claimed under the buildings policy he had with LBG for the cost of repairing damage caused by tracing and accessing the leak.

LBG declined the claim because the work needed was due to poor workmanship, and Mr M's policy excluded cover for that cause.

Mr M complained to LBG. He said it had incorrectly assumed the HEI caused the pipe to leak, but he'd only provided information about the work done as background. Mr M wanted LBG to cover the cost of the damage caused when the HEI traced and accessed the leak.

LBG remained of the view that the claim was due to poor workmanship and issued its final response. Mr M brought his complaint to us.

Our investigator initially thought LBG should pay for the damage caused by the trace and access. But, on receipt of additional evidence, he didn't think LBG had done anything wrong. Our investigator said the evidence didn't show that Mr M had incurred any costs directly attributable to trace and access. Therefore, he didn't uphold the complaint.

Mr M didn't agree. He said two points had been disputed and he provided further comment.

I issued a provisional decision in September 2023 explaining that I was intending to uphold in part Mr and Mrs M's complaint. Here's what I said:

provisional findings

To begin with I'll explain the relevant background to the complaint a little further to help explain how I've reached my provisional decision.

Mr M's HEI had attended his home on several occasions because of problems with his boiler. Eventually, it concluded there must be a leak. Because a sealant had been put into the pipe, the HEI couldn't carry out what it described as a usual trace, so it used thermal imaging. That revealed potential leaks in the pipes under the ground floor. The ground floor was covered with wood flooring, and the HEI thought it would be too costly to remove it all to fix the leak.

The HEI said the pipe was inadequately protected from the concrete floor, which caused the pipe to rot and leak. The water soaked into the ground, so it hadn't caused damage to Mr M's home.

The HEI also noted that the pipework was not up to current standards, and it reached an agreement with Mr M to re-pipe his house.

Turning now to his complaint about LBG, Mr M said there are two issues in dispute:

- *LBG declined his claim because the problems were caused by poor workmanship by the HEI.*
- *There is no claim because the floor was damaged after the cause of the leak was traced.*

Poor workmanship

The expert reports regarding the leaking pipe confirm that it was not adequately protected from rot caused by the concrete floor. I understand Mr M is unhappy that LBG referred to the HEI installing the pipes and/or the boiler incorrectly – so, poor workmanship. But Mr M explained that he'd given the information just for background and it was nothing to do with the trace and access cost.

I can understand why Mr M is frustrated that LBG blamed the HEI for poor workmanship. The reports available to both Mr M and LBG state that the concrete caused the inadequately protected pipe to rot and leak. But the HEI didn't install the pipe.

This complaint has become complicated, I think, because of the various parties involved at different stages. So I'll focus now on what Mr M claimed for under his policy with LBG, the policy terms and conditions relevant to that claim, and whether LBG's response to the claim was fair in the circumstances.

Claim

Mr M's claim was for the repair of damage caused when accessing a leak in his central heating pipes. He claimed under section D of the buildings insurance, which is detailed in the policy booklet as follows:

D. Tracing and accessing leaks inside the home.

The insurance provided by paragraphs 7 and 9 of section 1 also covers the reasonable costs involved in tracing the source of the escape of water or leakage of oil and replacement or repair of any walls, floors or ceilings (including fixtures and fittings attached to them), inside the home where this damage occurs in the course of these investigations. The most the insurer will pay is £5,000.

Your insurer will not pay for:

The costs of repair of the source of the damage unless the cause is covered elsewhere in this policy.

Section 1, paragraph 7 referred to here is:

7. Escape of water.

Your insurer will not pay for:

Loss or damage to property that happens gradually over a period of time, such as corrosion or rusting, sulphate reacting with any material from which the property is built.

Escape of water is defined in the policy booklet as follows:

Water that has entered the boundaries of your property by the mains water supply and has, at some point on its journey within your home, escaped from the pipe, tank or appliance that it was in and caused damage to your home.

So, for Mr M to have a successful claim under this section of the policy, he'd need to show that:

- his home was damaged when trying to trace and access the leak to complete a repair, and*
- his home was damaged by an escape of water.*

The repair itself would not be covered.

Tracing the leak

The evidence from the HEI leak tracing shows that potential leaks were identified under the concrete floor using thermal imaging. Thermal imaging didn't cause damage and Mr M hasn't claimed it did. So, I accept that there's no expectation of cover under the trace part of this section.

Accessing the leak

Mr M said his bedroom flooring was removed and it's this damage he is claiming for. LBG doesn't think there'd be any reason to remove the flooring to access the leak.

I'd need to see that Mr M has provided enough evidence to show that the floor was removed to access the leak for a repair. However, based on the reports provided by the HEI, LBG and Mr M's own account of events, I'm not persuaded that the bedroom floor was removed to access the source of the leak in order to effect a repair. It seems the floor was removed to bypass the leak – that would be classed as the repair which isn't covered under the policy. At that point the one-pipe system issue became apparent. That's irrelevant to Mr M's complaint so I won't go into that further.

I've noted Mr M's comment that on 25 February the HEI, "interfered with the flooring, which was where the damage being claimed was caused". I've looked at the report from that date but there's nothing to indicate the floor was damaged. There's a box with the heading "Disturbance necessary to gain access", with a response of "none".

The subsequent report, dated 25 March, gives details of the work undertaken when trying to bypass the leak. I note the report includes authorisation from Mr M to remove the flooring. As that work was to effect the repair, I think it's reasonable to say the damage was the result of repair rather than accessing the leak.

So, the evidence indicates there was no attempt to access the leaking pipe in the concrete ground floor; therefore, there can be no damage to repair under this section of the policy.

LBG's response

Turning now to LBG's response to Mr M, it declined his claim for the following reason:

the works required to be undertaken was as a result of poor workmanship. Unfortunately, your policy does not cover for this.

As I've already said, it seems LBG relied on this reason due to some confusion over the pipework in question. Therefore, I don't think LBG declined the claim fairly for the reason given.

Ordinarily, I'd ask LBG to reconsider the claim in circumstances where I thought it relied on a policy exclusion unfairly. However, I think that would simply extend the claim process for no real benefit to Mr M. That's because there's sufficient evidence to suggest his claim wasn't covered by the policy.

Mr M confirmed his home wasn't damaged by the leak. The water escaped from pipes under the concrete ground floor and soaked away.

Based on the policy definition of escape of water, and LBG's confirmation to this service, there'd be no cover for Mr M's claim. That's because the condition only applies where damage has been caused by the escape of water.

While LBG confirmed for this service that it was a further reason to decline the claim, it seems it didn't explain that to Mr M. I think its service fell short of what Mr M could reasonably have expected here. I'm minded to ask LBG to pay £100 compensation by way of apology for the confusion and the avoidable delays caused by its failure to refer to the relevant policy terms and conditions which applied in the circumstances.

I'm aware that LBG has already offered Mr M £100 compensation for prematurely closing his claim. For clarity, my proposal is to pay an additional £100 compensation for the shortfalls identified here.

In summary, the evidence doesn't show that:

- *Mr M's home was damaged when trying to trace and access the leak to complete a repair, or*
- *that his home was damaged by an escape of water.*

Therefore, I think it was reasonable that LBG declined his claim. However, I don't think the reason it gave was fair in the circumstances, resulting in confusion and avoidable delays. In recognition of that, I think LBG should pay compensation of £100. But I see no reason to ask LBG to pay for any repair costs.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Both Mr M and LBG accepted my provisional findings.

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.

As both Mr and Mrs M and LBG accepted, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

For the reasons I've explained above, and in my provisional decision, my final decision is that I uphold in part Mr and Mrs M's complaint.

Lloyds Bank General Insurance Limited must:

- pay £100 compensation for the confusion about the policy and the resulting avoidable delays caused in handling Mr and Mrs M's claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 3 November 2023.

Debra Vaughan
Ombudsman