

The complaint

Mrs B complains that when she made a claim on her home buildings insurance, Zurich Insurance PLC would not cover the cost of repairs after having told her this would be covered.

What happened

Mrs B is the leaseholder of her flat. Zurich is the underwriter for the buildings insurance. The policy terms say the insurance is arranged on Mrs B's behalf by the freeholder in accordance with the terms of her lease.

She had a leak in her home in November 2022. She called Zurich about the leak saying she wanted to claim for the cost of repairs. She also asked for a copy of insurance policy. She was told that although the cost of repairing the pipe wouldn't be covered, the insurance would cover any damage caused by the leak or costs to access the leak.

Zurich sent a copy of the policy terms by email but Mrs B didn't receive this as it was addressed incorrectly.

Mrs B called again a few days later saying she had arranged for a plumber to carry out repairs. She was told to send the invoice for the repairs and this was repeated in another call.

When Mrs B then tried to claim for the cost of the repairs, she was told the costs of the repairs were not covered by the policy.

Zurich paid for other costs relating to damage caused by the leak, but confirmed it would not cover the repair costs.

Mrs B complained about this. She said she was misled and incurred costs of around £2,900 for repairs in the belief they would be covered, so these should be paid. Zurich didn't agree, but accepted Mrs B had been given inaccurate information and offered £200 compensation for the distress caused.

Our investigator considered the claim and said:

- it wouldn't be fair to ask Zurich to pay for something that wasn't covered by the policy
- the repairs involved replacing her immersion heater and Mrs B hadn't explained why that was damage caused by the leak
- Mrs B had been given incorrect information but she would have had to do the plumbing repairs anyway.
- Mrs B said she would have explored other options but hadn't explained what those options were.

The investigator thought the compensation offered by Zurich was fair.

Mrs B disagrees and has requested an ombudsman's decision. She's made a number of points, including:

- the insurance is there to cover problems that have arisen and need to be put right
- it's not in dispute that she was given the wrong information
- she's not the policyholder, didn't have a copy of the policy terms and was entitled to rely on the information she was given – this should be regarded as binding on Zurich.

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 relevant industry rules and guidance say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim.

The policy provides cover for damage caused by an *“Escape of water from any fixed tank, fish tank, pipe or appliance and damage caused to such by bursting or freezing.”*

So Mrs B was covered for the cost of repairing damage caused as a result of water damage, but that wouldn't include the cost of repairing the leak itself. And the policy doesn't cover damage caused by deterioration over time or wear and tear.

Zurich paid around £8,000 to cover costs relating to damage caused to the property by the leak. It didn't pay for replacing a carpet and that's the subject of another complaint which I'm looking at separately. The issue I need to decide in this complaint is whether Zurich should cover the cost of the replacement immersion heater, even though that wouldn't be covered under the policy terms.

The crux of the matter is that Mrs B was told these costs would be covered and says she only went ahead on that basis.

Mrs B didn't have a copy of the policy. I don't think Zurich was responsible for providing a copy of the policy before the incident, given that she isn't the policyholder. And the freeholder's website has details of the buildings cover provided and a contact number for its insurance officer, so she could have obtained a copy from there.

In any event, I don't think the evidence shows that Mrs B only went ahead with repairs because she was told the cost would be covered.

Our investigator asked Mrs B what alternatives she considered. She hasn't explained why replacing the immersion heater was something she needed to do because it was damaged by the escape of water. She has also acknowledged that she would have had to do the work anyway, but says she did it in the belief the cost was covered. She says if she'd known it wasn't covered she would have looked at possible alternatives. But, as I've mentioned, she hasn't confirmed what those were.

I think it's likely she would have replaced the immersion heater anyway. If that was where the leak came from and she didn't have the plumbing work done, there would have been a risk of further problems. The evidence doesn't show that she only carried out the work in reliance on what she was told.

If she'd known the cost wasn't covered she may have sought other quotes. I think the most I can say is that she might have found a cheaper alternative. She lost the chance to do that. And it was upsetting to find out she would have to pay the cost herself. So it's fair that she's compensated for the loss of opportunity and the upset caused to her.

Thinking about the level of distress caused by finding out she wasn't covered for these costs, I think the offer Zurich made is fair in the circumstances.

My final decision

Zurich Insurance PLC has already made an offer to pay £200 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Zurich Insurance PLC should pay £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 19 April 2024.

Peter Whiteley
Ombudsman