

The complaint

Mr P and Mrs P have complained that AA Underwriting Insurance Company Limited (AA) unfairly declined a claim under a home insurance policy.

What happened

Mr P and Mrs P found some damp on a wall in their home. Initially, Mr P and Mrs P thought the issue was due to a neighbour's guttering. Action was taken to deal with the issue, but the damage to Mr P and Mrs P's home got worse. So, they arranged for a damp specialist to investigate the issue. The damp company thought the issue was with the wall and started work to fix it. However, when the damp company investigated further, it found a burst pipe under the kitchen floor, which was causing the damage.

When Mr P and Mrs P contacted AA to make a claim, AA investigated it and declined it on the basis of a gradually operating cause. So, Mr P and Mrs P complained to this service. Our investigator upheld the complaint. She said Mr P and Mrs P had proactively tried to fix the issue and followed the professional advice they were given. So, she didn't think it was reasonable for AA to decline the claim on the basis of a gradually operating cause. As Mr P and Mrs P had repaired the damage at their own expense, our investigator said AA should cover their costs and that it should also pay £500 compensation for the impact on them.

As AA didn't agree, the complaint was referred to me.

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, I uphold this complaint. I will explain why.

When Mr P and Mrs P first found a patch of damp, they investigated it and a void was found between their property and their neighbours' home. A gutter was found to be blocked, which it was thought was likely to be causing the gutter to overflow. This was unblocked and they were advised that the wall should then dry out over warmer months. The neighbour also filled the void. So, I think Mr P and Mrs P took action when they found an issue and that it was reasonable for them to think the issue had been resolved.

However, the wall didn't dry out over the months that followed. So, Mr P and Mrs P contacted a damp specialist company to look at the issue. The damp company thought the build-up of debris between Mr P and Mrs P's property and their neighbour was likely to be the cause of the issue. The company's report said no obvious plumbing leak was identified at that time. It recommended injecting the damp proof course and replastering.

Mr P and Mrs P agreed to the work being carried out by the damp company. It was only when the work commenced, including removing kitchen cupboards, that a leak was found under the concrete kitchen floor. So, I think Mr P and Mrs P had continued to take reasonable steps to try and find the source of the damp and that it was only when the

cupboard was removed that it was possible to identify there was a leak. They then contacted AA promptly to log a claim.

The policy covered damage caused by water leaking from heating installations, appliances and pipes. The leak was from a burst pipe. So, I'm satisfied the type of damage was covered by the policy. However, the policy said it didn't cover gradually operating causes. So, I've thought about whether it was reasonable for AA to apply this exclusion.

I'm aware that AA's surveyor said Mr P and Mrs P hadn't carried out their due diligence in a timely manner, as they had said the issue kept coming back and hadn't carried out further investigation. As I've already explained, I think Mr P and Mrs P took reasonable action to try and identify the source of the issue. Even when a damp specialist investigated the issue, it didn't identify a leak. The leak was only found when kitchen cupboards were removed as part of other work identified to fix the issue. I wouldn't expect a policyholder to remove a kitchen cupboard unless they had a specific reason to do so and I don't think they could have known about the leak under the floor without doing so.

Where damage happens gradually and the policy says it doesn't cover this, we would normally say it is reasonable for an insurer to decline a claim. However, we would also consider whether the consumer should have been aware of the damage happening and whether they took reasonable action as soon as they became aware of it. Mr P and Mrs P were aware there was a problem. In my view, they took reasonable steps when they found the issue, including clearing a gutter, informing their neighbour, who then filled the void, and contacting a damp specialist when the issue continued. So, I think Mr P and Mrs P took reasonable steps to deal with the damp issue and that it is therefore unfair for AA to apply the exclusion. Mr P and Mrs P have had the work carried out. So, I think AA should settle the claim at the cost to Mr P and Mrs P to have the work carried out to fix the damage.

I've also thought about compensation. Mr P and Mrs P were caused inconvenience by AA declining the claim, including having to arrange their own contractors to carry out the work. It's my understanding that this put a financial and emotional strain on Mr P and Mrs P as they couldn't afford to do the work but felt they had no other option than to pay for the work to try and restore their home. So, I think AA should pay £500 compensation to recognise the impact on Mr P and Mrs P.

Putting things right

AA should settle the claim at the cost to Mr P and Mrs P to have the work carried out and pay £500 compensation.

My final decision

For the reasons I have given, it is my final decision that this complaint is upheld. I require AA Underwriting Insurance Company Limited to:

- Settle the claim at the cost to Mr P and Mrs P for work to repair the damage covered by the claim, subject to them providing suitable evidence of this.
- Pay £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 20 December 2023.

Louise O'Sullivan
Ombudsman