

## **The complaint**

Mr and Mrs R complain about the decline of their home insurance claim by Lloyds Bank General Insurance Limited (Lloyds').

This complaint has been set up against Lloyds, as per their email to our service dated 4 May 2023.

## **What happened**

The background to this complaint is well known to Mr and Mrs R and Lloyds. In my decision, I'll focus mainly on giving the reasons for reaching the outcome that I have.

Mr and Mrs R had a home insurance policy with Lloyds. In December 2022 they had an escape of water from a shower/bath unit. Mr and Mrs R contacted Lloyds to register a claim against his policy. Lloyds declined the claim in March 2023.

As they were unhappy, Mr and Mrs R raised a complaint with Lloyds. Lloyds sent two final response letters related to this claim, offering a total of £475 in recognition of the time taken and service provided. Mr and Mrs R remained unhappy and referred their complaint to our Service for an independent review.

Our Investigator considered the complaint but didn't recommend that it be upheld. As Mr and Mrs R didn't accept, the complaint was referred to me for a decision. I recently sent both parties a copy of my provisional, intended findings. As the deadline for responses has now passed, I've considered the complaint for a final 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.

Our Service is an alternative, informal dispute resolution service. Although I may not address every point raised as part of this complaint - I have considered them. This isn't intended as a discourtesy to either party – it simply reflects the informal nature of our Service.

Both parties received my provisional findings. Mr and Mrs R provided more evidence of the claim event and Lloyds accepted the decision. Therefore, my findings remain very similar to before.

### *The claim decline*

Mr and Mrs R have described the escape of water occurring in the shower/bath unit, following a plug/pop up waste which pushed through. They've also described the consequences of the escape of water - including damage to the ceiling below, the wooden floor downstairs and to an oven.

Lloyds provided a range of reasons for declining the claim. In summary they said there were no visible signs of water damage or staining that would be excepted on the ceiling below the

shower unit. As a secondary point and not the main reason for the claim decline, they also said the plug in question had been disposed of prior to them having a chance to inspect it and substantiate the claim.

I've considered the property visit from Lloyds alongside the damage Mr and Mrs R have described. The relevant section of the policy here is:

*"8. Leaking oil or water & freezing water*

*The leak must be from a home appliance, or fixed water or heating system. This doesn't include damage to the home appliance or water or heating system itself.*

*Examples of a home appliance or fixed water or heating system are tanks, pipes, washing machines, or water mains. We'll also pay claims for damage to your buildings caused by water freezing in fixed water or heating systems. This does include the damage caused to the fixed water or heating systems."*

In my opinion, the leak that has occurred here is not intended to be covered under this section of the policy. The above terms would typically cover scenarios such as a mains water supply to a washing machine, dish washer or supply to a boiler. In Mr and Mrs R's case, the water did come from the mains (to the bath or shower) but the actual escape was caused by the plug/drainage mechanism failing.

A similar comparison here would be where a bath was left running and overflowed, causing damage to the bathroom and the ceiling below. Therefore I find that the policy doesn't need to respond under the escape of water section of cover.

*Accidental damage ('AD') cover*

Generally, I'd expect the business to consider if any other section of cover ought to respond to this claim event before declining the claim. Up until very recently, Lloyds told our Service that Mr and Mrs R didn't have accidental damage cover. I clarified this point as, based on the case file, it appeared that Mr and Mrs R may have been covered for AD. Lloyds told me (in summary):

*"The decision reached not to offer cover isn't dependent on whether [Mr and Mrs R's surname redacted by Ombudsman] held accidental damage cover. The claim has been declined because there were no visible signs of water leaking [bold added for emphasis by Ombudsman] (whether escape of water or accidental damage was the proximate cause), with no staining or marks to the ceiling below the location of the alleged leak; and the plug advised to have been damaged, along with a carpet, disposed of."*

As it's now been confirmed that Mr and Mrs R did indeed have AD cover, it's my direction that Lloyds will now need to reconsider the claim under the AD section of cover. I note the reference to no visible signs of water leaking and whilst I don't seek to prejudge any claim consideration, I note that Mr and Mrs R have now provided our Service with photos from the loss event which, in my opinion, do clearly show an escape of water. Lloyds have now had sight of these.

To be clear to both parties, my intended decision does not at all seek to determine what the outcome of the accidental damage claim will be.

*The service provided when considering the claim*

It's clear to me that Lloyds have let Mr and Mrs R down. The time taken and standard of communication were poor. The claim decision took too long, in my opinion - in what was a relatively non-complex claim. Lloyds have been clear to our Service about why the claim was declined, but not to Mr and Mrs R. From what I've seen, they've focused on Mr and Mrs R not being able to substantiate their loss (damage) following the escape of water, but with our Service they've said the damage wouldn't be covered under the policy terms and now clarified that AD was included. This leads me to question if the claim was ever properly considered to begin with.

That said, Lloyds have offered £475 in total, across two final response letters. The final response letter referred to our Service that I'm considering here offered £75. That (£75) is not enough to recognise the service failings, but when considered in conjunction with the overall sum offered (£475) I find that Lloyds have done enough to recognise the impact of their actions on Mr and Mrs R. This is broadly in line with our externally published guidelines on distress and inconvenience awards.

<https://www.financialombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

### **Putting things right**

Lloyds Bank General Insurance Limited will now need to reconsider the claim under the accidental damage section of cover.

Should this be a claim that progresses to settlement, Lloyds Bank General Insurance Limited will need to add 8% simple interest to any settlement amount, to be calculated from the date four weeks after initial claim notification until the date any claim settlement is paid to Mr and Mrs R.

### **My final decision**

My final decision is that I partially uphold this complaint and Lloyds Bank General Insurance Limited now need to follow my direction as set out under the heading 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 20 March 2024.

Daniel O'Shea  
**Ombudsman**