

The complaint

Mr K complains that Covea Insurance plc turned down a claim made under a property owners policy.

What happened

Mr K is a leaseholder of a flat which he rents out. The flat is covered by a block insurance policy taken out by a residents association, and underwritten by Covea. Mr K made a claim to Covea for damage to his flat caused by an escape of water and water ingress.

Covea turned down the claim as it said the damage had happened gradually, which isn't covered under the policy. It also said trace and access costs would only be considered in the event of an insurable claim. Unhappy with this, Mr K brought a complaint to the Financial Ombudsman Service.

Our investigator recommended the complaint be partly upheld. He thought Covea's decision to turn down the claim for escape of water had been reasonable. However, he recommended that Covea reconsider a claim for trace and access under the policy.

I issued a provisional decision on 7 March 2024. Here's what I said:

'I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.'

The policy covers damage by escape of water from any tank apparatus or pipe. However, the policy excludes damage caused by or arising from or consisting of gradually operating causes, including wet or dry rot.

Mr K's contractor has provided a report. They said there was an area of skirting board with dry rot, and on further inspection, they noted several other areas where timber had been affected by dry rot, but these areas weren't easy to see as they had been filled and decorated over. They removed the flooring from the living room and hallway, and in doing so, several sections of the timber subfloor collapsed due to a severe dry rot outbreak. So they removed all the timber floorboards, and found a high percentage of the supporting timbers had been compromised. They said while the exposure work was carried out, they found several areas where water damage had occurred.

The contractor said there were two areas of water ingress. One being the base of the chimney stack, which would suggest water was gaining access via the top of the chimney and collecting at the base. The second area was caused by a leaking pipe, which had been damaged by a nail. They said this was adjacent to the living room door, and the area around the pipe was very wet. Finally, the contractor said the air bricks at the rear of the property had been covered over which had stopped the airflow within the subfloor.

There was an escape of water from a pipe, and so an insured event happened. However, given the extent of damage to the subfloor and that severe dry rot was found, I think it was reasonable for Covea to say the damage happened gradually.

Mr K says he didn't know about the dry rot before the claim was reported to Covea. However, the contractor's report referred to areas of dry rot being filled and decorated over, so I think Mr K was either aware, or ought to have been aware of the damage happening. I'm therefore satisfied it was reasonable for Covea to rely on the gradually operating cause exclusion to turn down the claim for damage caused by the escape of water.

The policy also covers trace and access costs. It says:

*'In the event of **Damage** at the **Premises** resulting from the escape of water or oil from any fixed installation, **We** will pay for costs necessarily and reasonably incurred in:*

- (a) locating the source of **Damage** in order to effect repairs*
- (b) making good*

Our liability will not exceed £25,000 in any one **Period of Insurance**.

'Damage' is defined in the policy as:

'Accidental loss destruction or damage unless otherwise excluded.'

So, trace and access cover would only apply in the event of damage that's not excluded which results from an escape of water. As the damage at the property has been excluded (as it happened gradually and I'm satisfied Mr K ought reasonably to have been aware of this), it seems to me the trace and access cover can't apply here. I recognise my decision will disappoint Mr K, but I don't intend to require Covea to cover the trace and access costs.'

I asked both parties for any further comments they wanted to make before I made a final decision.

Covea didn't provide any further comments before the deadline we gave.

Mr K responded with the following main points:

- There was an insured escape of water which had damaged the joists before the dry rot spread. So the damage isn't just dry rot but is also water damage.
- If the dry rot isn't covered due to the gradual damage exclusion, then the water damage which came first should be covered and not excluded from the trace and access aspect.
- I had highlighted there were areas filled in and decorated, but the contractor told him these were in completely different areas to where the damage was found.

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 I said in my provisional decision, I accept there was an escape of water from a pipe. Although the contractor mentioned water damage, it seems the damage to the subfloor was largely due to the outbreak of dry rot, presumably because of the high moisture levels caused by the leaking pipe and other area of water ingress (as well as the lack of ventilation). The contractor's report said the leaking pipe had caused an area of earth to become wet, which doesn't indicate this caused water damage to the joists. I've looked at the photos, but it isn't clear to me that the wet timbers were damaged by the leaking pipe.

Though even if the leaking pipe had caused water damage to the joists, I think this would have most likely happened gradually. I say that because the severity of the dry rot outbreak and resulting damage to the subfloor indicates that there had been water leaking for some time. So I remain of the view that trace and access cover can't apply here, even if there was water damage as well as dry rot.

Mr K says the contractor told him the areas which had been filled and decorated over were in completely different areas to where the damage happened. I've read the contractor's report again, but I think this makes it clear that areas where timber had been affected by rot had been filled and decorated over. So I remain satisfied that Mr K was aware or ought to have been aware of the damage happening.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 22 April 2024.

Chantelle Hurn-Ryan
Ombudsman