

## **The complaint**

Mr P and Mrs P complain about Red Sands Insurance Company (Europe) Limited's (Red Sands) decision to decline a claim made under their buildings insurance policy.

Any references to Red Sands include its agents. Mr P and Mrs P are represented by Mrs D.

## **What happened**

In October 2022, Mr P and Mrs P noticed some cracking in their home. They contacted Red Sands to log a claim. A loss adjuster recommended a drainage inspection be carried out. This inspection took place in May 2023 and then some repairs were carried out in November 2023. The drainage expert said a build-up of silt indicated there were likely further defects with the drains.

On advice from the drainage expert, Mr P and Mrs P made another claim, believing the policy would provide cover for any sudden unforeseen loss or damage caused to the drains. But their claim was declined as the policy didn't automatically provide cover for underground pipes and drains unless accidental damage had been selected.

Mrs D raised a complaint on Mr P and Mrs P's behalf, saying they considered the defect identified by the drainage expert should be covered. They said on reading the policy terms, Mr P and Mrs P had no reason to believe the policy wouldn't cover the drains the area the drainage expert said should be investigated.

Red Sands responded to the complaint, saying they had carried out repairs to the defects at Mr P and Mrs P's home, but wouldn't cover the further defect mentioned by the drainage expert.

Unhappy with Red Sands' response, Mrs D referred Mr P and Mrs P's complaint to the Financial Ombudsman Service. It was considered by one of our investigators who said most buildings insurance policies would provide cover for underground pipes as standard, so she considered it to be significant and unusual for Red Sands not to have offered this cover, and this ought to have been highlighted when the policy was taken out.

Our investigator said she didn't consider this had been made clear to Mr P and Mrs P and if they had been aware, it was likely they would have added the accidental damage cover or taken out a policy with another insurer. Our investigator said to put things right, Red Sands should reconsider the claim as if the accidental damage cover had been in place from the start of the policy.

Mrs D said Mr P and Mrs P accepted the investigators' conclusions, but Red Sands didn't. So, this case has been passed to me to decide.

## **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.

Both sides agree steps are being taken to investigate and determine repairs for the cracking and subsidence related damage. That claim doesn't form part of this complaint.

The crux of this complaint focuses on whether it was clear when the policy was taken out in 2021 (and subsequently renewed in 2022) that accidental damage needed to be selected in order to have cover for the underground drains and pipes. Having considered all the available information, I've reached the same conclusion as our investigator and for the same reasons, which I'll set out below.

I think it's helpful here to set out the policy wording in question that Mrs D says has been relied on by Mr P and Mrs P:

***"We pay for:***

***Any sudden, unforeseen loss or damage, caused by:***

- *Blockages, collapse or leakage in drains*
- *Leaking underground supply pipes*
- *Leaking metered water"*

On the basis of the above policy wording, Mrs D says Mr P and Mrs P believed their claim for damage to the underground drains would be covered. However, Red Sands says the policy doesn't provide cover for underground drains and pipes because Mr P and Mrs P didn't select accidental damage when taking out the policy.

I consider that this policy doesn't provide cover for underground drains and pipes to be unusual and significant, because the majority of buildings insurance policies provide cover for underground drains and pipes as standard. Whilst Red Sands has provided an extract from another insurers' policy terms which seems to support the position taken, I consider those are worded in a much clearer way than the Red Sands' policy terms, in that they directly reference accidental damage in relation to drains and pipes. But in any event, I consider Red Sands decision not to cover underground pipes and drains to be unusual, and this ought to have been highlighted when the policy was taken out.

Mrs D says this wasn't highlighted to Mr P and Mrs P during the application process. And I've considered the application journey shared by Red Sands.

I've reviewed a screenshot of the application process provided by Red Sands. This asks if a consumer wants to take out Buildings cover. This is defined as ***"Unlimited repair or full rebuild of the house"***. Beneath this, customers are asked if they want to take out accidental damage cover.

If customer toggles accidental damage cover on, a box pops up which says: ***"Buildings accidental damage will cover for damage to the structure of your property, permanent fixtures, fitted kitchens and bathrooms."*** There is no reference to underground drains and pipes only being covered if accidental damage cover was selected during the application process.

Red Sands have sought to rely on additional information on their website which sets out that underground drains and pipes will only be covered if accidental damage cover is selected. I accept this information may have been on their website at the point this policy was taken out or renewed. But it didn't form part of the application process, hasn't been linked to the application process and, according to Red Sands, in a different section of their website. I don't place the same weight on this as they have, and I don't consider it is persuasive in making clear during the application process that underground pipes and drains will only be covered if accidental damage is selected.

Whilst I recognise this policy was a non-advised basis, I need to consider the information available at the point the policy was taken out. I don't consider it was made sufficiently clear to Mr P and Mrs P that accidental damage needed to be selected for underground pipes and drains to be covered. Had this been sufficiently clear at the point of application or renewal. I consider Mr P and Mrs P would either have added accidental damage cover or found an alternative policy with another insurer.

As I've said, I consider it unusual and significant for underground drains and pipes cover not to be included as standard, and this ought to have been highlighted to Mr P and Mrs P when the policy was taken out or renewed so they could make an informed decision about what level of cover they were selecting.

To put things right, Red Sands should consider the drainage claim as if Mr P and Mrs P had cover for accidental damage from the beginning of the policy, subject to the remaining policy terms.

If there is an additional cost for this in terms of an increased premium, then this should be presented to Mr P and Mrs P so they can make an informed decision of whether they wish to continue with the claim.

### **My final decision**

My final decision is that I uphold Mr P and Mrs P's complaint. To put things right I direct Red Sands Insurance Company (Europe) Limited to consider the claim as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 26 November 2024.

Emma Hawkins

**Ombudsman**