

The complaint

Mr N is unhappy with information recorded by Liverpool Victoria Insurance Company Limited (LV) in relation to a claim made under his buildings insurance policy.

Any references to LV also includes their agents.

What happened

Mr N says in June 2022 contractors working on a neighbouring property damaged a drainage pipe located between their properties. Mr N investigated the damage to the pipe and became aware the foundation at the front right-hand side of his property was shallow. He contacted LV to talk to them about what he'd found.

LV registered a subsidence claim and arranged for a loss adjuster to carry out an inspection. They concluded there was cracking to the front right-hand side of Mr N's property, and they considered the cracking indicated movement which was progressive and likely caused by an escape of water from the damaged pipe. Mr N disagreed and instructed his own structural engineer, who said the property wasn't suffering from subsidence and any cracking was historic and likely linked to thermal movement. Mr N said on this basis LV should remove the record of the subsidence claim but they declined to do so.

Mr N complained to LV who responded in November 2023. They said whilst they'd considered the information provided by Mr N's structural engineer, the report didn't rule out subsidence as the cause of the damage to Mr N's property. Their decision to keep the matter recorded as a subsidence claim was unchanged, but they offered Mr N £100 in recognition of the delays in dealing with his complaint.

Mr N referred his concerns to the Financial Ombudsman Service where they were considered by one of our investigators. She said based on the information provided, LV had acted fairly in recording the claim as subsidence but noted LV had done so on an information only basis, with no payments being made.

Mr N didn't accept the investigators' conclusions. He said he remained of the view it was unfair for LV to record a claim as subsidence and was concerned about the potential impact this might have on the property if he decided to sell it in the future.

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.

First, I'd like to reassure Mr N that while I've summarised the background to this complaint and his submissions to us, I've carefully considered all that's been said and sent. In this decision though, I haven't commented on each point that's been made and nor do our rules require me to do so. Instead, I've focused on what I think are the key issues.

I appreciate Mr N feels his structural engineer demonstrated his property isn't currently experiencing subsidence. He says this is supported by the various reports provided, the first of which was from May 2021 to carry out a structural appraisal ahead of his purchase. There had previously been a subsidence claim at the rear of the property, and this was the focus of the 2021 report ahead of Mr N completing his purchase.

The structural engineer came out again in June 2022 to inspect the cracking identified at the front of the property. When they attended again in June 2023, they didn't consider the cracking had progressed since 2022. Mr N's structural engineer said the property had suffered movement, but they considered this to be longstanding and not current. Mr N's structural engineer sent three emails between October 2022 and December 2023. In one email they said the cracking was of some age and "*diagonally disposed*", but in another they said it was "*predominantly vertical*" and suspected to be caused by thermal movement.

LV's loss adjuster disagreed with this. They said the property was impacted by subsidence caused by the damage to the underground drainage pipe and the cracking had occurred as a result. This conclusion was supported by two reports and through various emails between the loss adjuster and LV.

There are differences of opinion about when the cracks occurred and the cause of them. Mr N says he noticed an internal crack when he moved into the property in February 2022, and he told our investigator he noticed the external cracking around the same time when he moved some of the vegetation covering the external cracking at that time. But the external cracking wasn't inspected more closely until the underground drainage pipe was damaged by the contractors working on the neighbouring property in June 2022.

Ultimately, Mr N has asked us to decide if LV has acted fairly in recording the claim under the subsidence peril. I'm satisfied they have, and I won't be requiring LV to make any changes to how they've recorded the claim. This is because all the findings consistently identify traditional signs of subsidence (such as the cracking) at the front of Mr N's property following concerns of a damaged underground drainage pipe.

A key factor in deciding LV hasn't acted unfairly is that there hasn't been any information provided which would suggest that the claim ought to be recorded under a different event covered by the policy. I note the structural engineer appointed by Mr N said in December 2023 thermal movement could be the cause of the cracking, but they haven't provided any information about what led them to make this comment. They've also said the cracks haven't progressed between June 2022 and June 2023 but again, I can't see how that conclusion has been supported.

And I find the fact LV's loss adjuster has gone as far as setting out the recommended repairs required to be persuasive of their view the damage has been caused more recently by the damaged drainage pipe. I think it is more likely than not that if LV considered the cracking to be historic and non-progressive, they wouldn't have gone as far as setting out that repairs were needed.

Mr N considers the claim should be recorded under the drainage or accidental damage perils. But based on the focus of the reports from both LV's loss adjuster and Mr N's structural engineer I consider subsidence to be the appropriate peril or event here. I say this as the damage to Mr N's property is consistent with what is traditionally seen in subsidence claims, and part of the loss adjuster's role is to determine if an event is covered by the insurance policy and by which part of the policy. On considering the comments of all the experts, I'm persuaded it was more appropriate to record the claim as subsidence rather than any other insured peril.

I'm satisfied LV have acted appropriately in recording the claim as information only, as there hasn't been any action taken or payments made. An insurer is required to accurately record information on the relevant internal and external databases. I'm sorry to disappoint Mr N, but I'm not going to require LV to take any further action for the reasons I've set out above.

LV offered Mr N £100 compensation for delays in handling his claim. Mr N's focus in contacting us has been on the recording of the claim, though I can see this matter has been worrying for him particularly in relation to the concerns he's outlined about the potential impact on any future sale price. I've outlined why I don't agree LV needs to take any action, so I'll leave it for Mr N to decide if he wants to accept the £100 if he hasn't already done so.

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 N to accept or reject my decision before 12 February 2025.

Emma Hawkins

Ombudsman