

The complaint

Mr G complains about the way that QIC Europe Ltd has handled an escape of water claim he made on a home insurance policy.

All references to QIC include the actions of the policy administrators working on its behalf.

What happened

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I think are the main events.

In January 2022, Mr G suffered an escape of water at his home, which caused damage to the rooms below. So he made a claim on the policy.

QIC appointed a surveyor to visit the property a few days later. The surveyor validated the claim and concluded the damage had been caused by a leak from a disconnected waste pipe behind the bath. QIC let Mr G know the claim had been accepted and offered him the option to either accept a cash settlement so he could arrange his own repairs or for its contractor to do the work.

Some months later, in July 2022, Mr G agreed for QIC's contractors to carry out the works. While works were provisionally agreed to begin in October 2022, it seems the contractor was waiting to hear from Mr G as to when the repairs could actually start. Ultimately, it appears the contractor started stripping out works in March 2023.

In late March 2023, QIC agreed to pay for alternative accommodation (AA) for Mr G and his family. He says prior to that point, they'd been using a neighbour's shower. Around a month later, after the bath had been removed, the contractor noted damage to a stud wall behind the bath and sent photos of the damage to QIC. Mr G says the contractor told him the wall damage wasn't related to the leak – although Mr G disagreed.

Subsequently, in late June 2023, QIC's surveyor attended the property to assess the wall. The surveyor concluded that damage wasn't caused by the escape of water but rather by the failure of sealant/grout around the bath. Damage caused by the failure of grout or sealant was specifically excluded by the policy terms. And the surveyor's report was reviewed by a regional surveyor, who agreed that the wall damage wasn't covered.

QIC didn't let Mr G know about its decision to decline the wall damage until 18 August 2023. It told Mr G that he'd need to get the wall repaired before its contractors could restart the works. It also offered him the further choice for a cash settlement for the value of the outstanding works up to the limit of its liability. It told Mr G that it wouldn't cover any further AA after July 2023.

Mr G was unhappy with QIC's position and he asked his own contractor to provide a report on the cause of damage. Mr G's contractor concluded that the wall damage was down to the waste pipe leak.

QIC reviewed Mr G's contractor's report but maintained its position. So Mr G asked us to look into his complaint. In summary, he felt QIC should have covered the cost of repairing the wall damage and that it had also caused him financial problems because it had stopped covering the cost of AA.

Our investigator thought Mr G's complaint should be upheld. She was satisfied Mr G had shown he had a valid claim on the policy. But she didn't think QIC had provided enough evidence to show that the wall damage had been caused by the failure of grout/sealant. She considered this had caused Mr G's claim to be significantly delayed; had caused him trouble and upset and that it had been unfair for QIC to refuse to pay AA. So she felt QIC should reconsider the claim for the wall damage; pay Mr G's AA claim up until the date of its final response to his complaint and pay Mr G £350 compensation.

QIC disagreed and so the complaint was passed to me to decide.

I issued a provisional decision on 3 September 2024 which explained the reasons why I thought it had been fair for QIC to turn down the wall damage claim, but why I felt it hadn't handled Mr G's claim as well as it should have done. I said:

'The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. I've taken those rules into account, along with other regulatory principles, rules and other relevant considerations, when deciding whether I think QIC treated Mr G fairly.'

I've first considered the policy terms and conditions, as these form the basis of the contract between Mr G and QIC. It's clear that the policy covers damage which is caused by an escape of water. In this case, QIC accepts that an escape of water from a waste pipe behind Mr G's bath did cause damage to his home. This means it agrees that it's liable for covering the costs of repairing any damage which was due to the water escape.'

However, the policy also sets out certain things which QIC has chosen not to cover. The escape of water section of the policy says that QIC won't pay for:

'loss or damage caused by sealant or grout failing to work properly or by an inappropriate sealant or grout being used.'

QIC considers that the damage to the bathroom wall wasn't caused by the escape of water from the waste pipe. Instead, it's concluded that it was down to the sealant/grout failing to work properly. So I've considered the available evidence to decide whether I think this was a fair conclusion for QIC to draw.'

Mr G appears to accept that QIC's contractor told him that the wall damage wasn't down to the leak from the waste pipe. As he didn't agree, QIC appointed a surveyor to investigate the damage and to comment on the likely cause. I've looked closely at the surveyor's report of 28 June 2023. They stated:

'The damage to the wall is long term damage due to the failure of the bath seals – not the claim related disconnected waste pipe. No bath (old or new) can be re-fitted until this wall is repaired.'

QIC's surveyor took photos of the damage, which QIC's regional surveyor went on to review. QIC has provided us with photographs of the damage. It told us:

'The images from the contractor (see attached) clearly show that the stud wall has been exposed to water for a long period of time. There are also streak marks from the sealant line'

around the bath down the wall. This indicates that water has been escaping through the sealant and then streaming down the wall. The condition of the sealant around the bath is also seen in the images taken by the attending surveyor. I would also add that this damage is located nowhere near the waste pipe and it would also not be possible for water that escaped the waste pipe to travel up to the sealant line on the bath.

As this damage is clearly unrelated to the leak on the waste pipe we cannot consider this damage under the claim.'

Following QIC's decision to decline cover for the wall damage, Mr G sent it a copy of his own contractor's opinion dated September 2023. Mr G's contractor said:

'I noted that the plasterboard wall has become rotten as part of the leak had not been changed. This will need to be changed as it's obviously part of the leak damage as moisture from the leak is being drawn up through the plasterboard.'

It's important I make it clear that I'm not a buildings expert. I need to base my opinion on the available expert evidence to decide which I find most persuasive. It isn't my role to decide what did cause the wall damage – instead, I need to decide whether I think QIC has shown its decision not to cover the wall damage is fair.

In this case, there's clearly conflicting expert evidence. On the one hand, Mr G's contractor concluded clearly that the wall damage was down to the waste pipe leak. On the other hand, both QIC's surveyor and regional surveyor found the damage was down to the failure of the sealant. I've carefully weighed-up the available evidence and I've looked closely at the photos.

Currently, I find QIC's surveyors' conclusions most persuasive. I say that because two experts have reached the same findings and also because I think the photos do tend to support QIC's conclusions. Much of the wall damage doesn't seem to be near the waste pipe and there do appear to be clear streak marks along the sealant line, suggesting that water has got through the sealant and travelled down the wall, causing extensive wall damage over time.

It's unfortunate that the damage wasn't found until over a year after the claim was made. I don't doubt this worsened the condition of the wall and further damp damage occurred. But I don't think I could reasonably hold QIC responsible for the delays in the bath being removed, given much of the delay beforehand appears to have been down to Mr G weighing up how to settle the claim and getting in touch with the contractors.

So I currently think that the wall damage was more likely to have been caused by the failure of sealant than the escape of water from the pipe. As I've said, this isn't covered by the terms of Mr G's policy. This means I don't think QIC needs to pay for the wall damage as part of this claim.

It seems the remainder of the works have been completed by the contractors – and therefore, it appears the outstanding issue here is the bathroom. Given I don't think QIC needs to pay to repair the wall damage and given QIC says the bath can't be fitted until the wall's repaired, it seems QIC isn't in a position to move the bathroom repairs forward at the moment. It's open to Mr G to accept a cash settlement in lieu of the repairs or to have the wall repaired ahead of QIC's contractor returning to complete the covered repairs.

With that said, I do think QIC has made some errors in the handling of this claim. It appears it'd broadly decided not to cover the wall damage claim in June 2023. While I appreciate Mr G disputed this decision, I think QIC, as the expert, would have known that this would mean

it wasn't prepared to pay for ongoing AA. Indeed, QIC had decided to end AA cover at the end of July 2023. But it doesn't appear that Mr G was notified about QIC's surveyor's conclusion not to pay for the wall damage until mid-August 2023. As such, I think QIC prejudiced Mr G's position here because I think if he'd been given the surveyor's conclusions sooner, he's unlikely to have booked AA for August 2023 and incurred AA costs. Therefore, I currently think QIC ought reasonably to cover the cost of Mr G's AA claim for August 2023, together with interest at 8% simple.

After Mr G had been told the wall damage wasn't covered though, I think he was in a position to be reasonably aware that the claim couldn't proceed unless he repaired the wall. And I think he opted to continue to incur AA costs knowing that QIC wasn't likely to be covering it. So I don't think I could fairly award AA costs after the end of August 2023.

I also currently think QIC failed to manage Mr G's expectations at times about the way the claim was progressing and nor do I think it kept him sufficiently updated about things. Mr G often had to chase up responses from QIC and repeatedly ask for promised call backs. I think therefore that this caused Mr G unnecessary material frustration and inconvenience on top of the inevitable upset caused by a claim of this nature. So I also think QIC should pay Mr G £250 compensation to reflect this.

Overall, I currently don't think QIC acted unfairly when it concluded that the wall damage wasn't caused by the escape of water. So I don't think it needs to cover this part of the claim.'

I asked both parties to send me any further evidence or comments they wanted me to consider.

Mr G said he could see that I planned to tell QIC to pay for AA up until the end of August 2023. However, given its communication failures and its late notification that it wouldn't be continuing to provide AA cover, he felt that I should tell QIC to pay the AA costs up until the date it had issued its final response to his complaint.

QIC accepted my provisional findings. It said it would need confirmation from Mr G as to when he paid for the AA in August 2023, to allow it to calculate interest.

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, my final decision is the same as my provisional decision and for the same reasons. This means I still don't think QIC acted unfairly when it turned down the wall damage claim and it follows that I'm not directing QIC to cover this part of the claim.

As I explained in my provisional decision, I do accept that QIC didn't handle Mr G's claim as well as it should have done and that there were failures to keep him sufficiently updated.

However, I still think that once QIC had told Mr G, in August 2023, that it had decided not to pay for the wall damage, he ought reasonably to have known that the claim couldn't progress unless he repaired it. So I still find that he chose to incur AA costs after that point, despite knowing that QIC was unlikely to continue to pay them. And therefore, I don't think it would be fair for me to direct QIC to pay for any further AA costs after the end of August 2023.

Putting things right

I direct QIC Europe Ltd to:

- Pay Mr G's alternative accommodation expenses from 1st until 31st August 2023. It must add interest to the settlement at an annual rate of 8% simple from the date Mr G paid the AA cost until the date of settlement*;
- Pay Mr G £250 compensation.

*If QIC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

QIC has told us that it will need confirmation from Mr G as to when he paid for the AA in August 2023, so it can calculate the interest due. It will be for Mr G to provide QIC with this information.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint in part and direct QIC Europe Ltd to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 October 2024.

Lisa Barham
Ombudsman