

The complaint

Mr M has complained that HDI Global Specialty SE (HDI) unfairly declined a claim under a home insurance policy.

References to HDI include companies acting on its behalf.

What happened

Mr M contacted HDI to make a claim for an escape of water. HDI investigated the claim and declined it. It said joists were suffering from wet and dry rot. The affected joists had been replaced in recent years, with small sections connected on to existing joists. The replacement joists were the ones affected. This indicated there might have been a problem in the past that had already been addressed but had reoccurred. It said the damage to the joist was gradual and so wasn't covered by the policy. The policy also excluded cover for wet and dry rot.

Mr M later complained. He said HDI had made him a cash offer to settle the claim but that when he had rejected this, HDI declined the claim. When HDI replied it said it declined the claim because there was a pre-existing issue with rot. It said the small leak that was later found wasn't the cause of the rot. It said it had no record of a cash settlement offer being made.

Mr M disagreed with HDI's reply, including that it said it hadn't made a cash settlement offer. HDI carried out a further review and acknowledged that it had made a cash settlement offer. It said it remained satisfied that the damage wasn't covered by the policy.

When Mr M referred his complaint to this Service, our Investigator upheld it. She said HDI accepted there had been an escape of water. Although HDI's surveyor had noted that the affected joists had been replaced in recent years, Mr M told this Service he had lived in the house for 15 years and hadn't carried out any repairs to the joists. Given the location of the damage, our Investigator also said it was reasonable to say Mr M wouldn't have been aware of the damage until it was found around the time of the claim. She said HDI should reconsider the claim and if it later paid a cash settlement, it should pay interest on that amount from 18 October 2023. She also said HDI should pay £250 compensation because of its poor service, including that it declined the claim and made an incorrect settlement offer.

Both HDI and Mr M agreed with our Investigator. However, HDI then took no further action. So, the complaint was referred to me.

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, I uphold this complaint. I will explain why.

My decision is only about the issues raised as part of this complaint, which was whether it was fair for HDI to decline the claim. I'm aware that things have moved on since then. However, my decision doesn't cover issues with the claim after the response to the complaint was issued.

HDI sent a surveyor to inspect the damage. The surveyor's report isn't entirely clear about what was found, but said the damage was consistent with an escape of water and that there was an insured peril.

Mr M's plumber also provided a cause of damage report. This said:

"We found that a tap connector washer supplying the bath had corroded and split creating a slow-moving leak that appears to have been leaking for some time.

The leak has caused the floorboards and floor joists to corrode which has caused the bath to drop, the corrosion of the floorboards has stretched to under the toilet, damage to the ceiling and decoration (coving and walls) in the hall below and to the plaster on the wall in the hallway."

HDI seemed to accept the plumber's assessment and confirmed in its complaint response that the leak was caused by a failed washer on a feed to the bath, which had allowed water to escape unseen for a long time. I note that another HDI assessment said that the leaking pipe *"may have exacerbated the problem"* with the rot. So, based on what I've seen, I think it's fair to say there was an escape of water, which was an insured event, and that this led to rot.

HDI declined the claim because it said there was evidence of rot that had been *"ongoing for some time"*. I think it was fair for HDI to decide the rot was gradual damage, as it normally takes time to develop. The policy said it didn't cover gradual damage. However, I don't think Mr M would have been aware of the damage or known he needed to take action until the ceiling was removed. I'm aware HDI also noted previous repairs to joists and that the new parts of the joists were where the rot was found. It's my understanding that HDI didn't ask Mr M about previous work on the joists. However, Mr M told this Service that he had lived at the property for 15 years and hadn't carried out any repairs to the joists. So, I think that even if work was previously carried out, Mr M wasn't aware of this either. Having thought about this claim, I don't think it was fair for HDI to apply the exclusion for rot.

So, I think HDI should reconsider the claim in line with the remaining policy terms and conditions, without applying the rot or gradual damage exclusion. If HDI settles the claim and makes a cash settlement, it should pay interest on this amount from the date on which it initially declined the claim, 18 October 2023.

I've also thought about how HDI handled the claim overall. Mr M was concerned that HDI offered him a cash settlement and then declined the claim when he rejected it. HDI seemed unaware this had happened. It was only when Mr M insisted that it had made an offer that HDI then agreed it had done so. I think this added to Mr M's sense that his claim wasn't fairly dealt with. So, I think HDI should pay Mr M £250 compensation to reflect the impact on him of its overall claim handling. I'm aware HDI also didn't initially progress the claim when both parties accepted our Investigator's view on the complaint. HDI told this Service it would offer £100 compensation for it not promptly progressing the claim at that stage. In the circumstances, I think that's fair. So, I think HDI should pay a total of £350 compensation.

I'm aware Mr M still has concerns about his claim and bringing it to a close. However, if Mr M is concerned about how the claim is progressing or by any offer to settle it made by HDI, he would need to raise this as a new complaint with HDI.

My final decision

For the reasons I have given, it is my final decision that this complaint is upheld. I require HDI Global Specialty SE to:

- Reconsider the claim in line with the remaining terms and conditions of the policy.
- If it settles the claim and makes a cash settlement, it should pay 8% simple interest on that amount from the date on which it first declined the claim, 18 October 2023, to the date on which it makes the payment.
- Pay £350 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 December 2024.

Louise O'Sullivan
Ombudsman