

The complaint

Mr T and Mrs O are unhappy with how Liberty Mutual Insurance Europe SE (Liberty) handled a claim made under their commercial insurance policy.

Any references to Liberty include their agents. And as Mr T has been the primary contact for this complaint, for ease I'll refer to him directly.

What happened

In August 2019 a pipe burst in a property Mr T rented to tenants. Mr T logged a claim with Liberty who instructed a loss adjuster to carry out an inspection to determine the extent of the damage. This included lifting floor tiles, carrying out drying and separating some of the damaged areas between the kitchen and utility. The repairs were completed in September 2020. Mr T says when an electrical installation condition report (EICR) was later carried out in May 2023, part of the wiring where the earlier damage had been didn't meet the required standard.

Mr T reported this to Liberty, but they said the wiring deterioration was as a result of gradual wear and tear and wouldn't be covered by the policy. Mr T disagreed, saying the wiring had only deteriorated in the area effected by the leak and he complained to Liberty. They issued their final response in October 2023, saying they'd arranged for their electricians to carry out an inspection but remained of the conclusion the wiring deterioration hadn't been caused by the escape of water.

Unhappy with Liberty's response, Mr T referred his complaint to the Financial Ombudsman Service. He said he'd had to pay £1,850 for the wiring to be repaired and would like this refunded. He said he didn't consider Liberty had factored in that the Covid-19 pandemic and resulting lockdowns had delayed the repairs being carried out, and the impact those delays had on the condition of the wiring.

Mr T's concerns were considered by one of our investigators who said they didn't agree Liberty had unreasonably declined the claim. The investigation said Mr T hadn't shown the deterioration to the wiring was caused by the escape of water. Mr T didn't agree and said the fact the deterioration was in the same place as the escape of water supported his conclusion this had caused the issue. Our investigator didn't alter their conclusions, so this matter 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.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So, I've considered, amongst other things, the available evidence, to decide whether Liberty handled Mr T's claim fairly.

In the first instance I think it's also helpful to say that if an insurer is seeking to rely on an exclusion set out in the policy terms to decline a claim, they need to show they can fairly rely on it. And for a policyholder to make a claim, they must show an insured event has occurred for which the policy provides cover.

I don't dispute there was damage caused by the original escape of water. This is documented by the electricians' report and invoice from 2019, but those issues initially highlighted in these documents appear to have been repaired at the time. Mr T has shown that in May 2023 there was deterioration to wiring in an area of the kitchen affected by the escape of water. However, I don't consider it's enough for Mr T to say the deterioration noted to have occurred between the EICR undertaken in 2018 and the one in 2023 can only have occurred because of the escape of water, he needs to provide evidence to support this.

I agree the EICR certificate from May 2023 noted there was low insulation resistance between the live and earth cables and a partial rewire was required. The electrician instructed by Liberty in October 2023 also noted low value insulation resistance, but between the live and neutral conductors. They also noted concerns about other issues, such as multiple extension leads and a lack of PAT testing on appliances though Mr T doesn't agree these were issues that were relevant to the concerns he raised.

Mr T provided information about low insulation resistance readings. This set out these issues could be caused by a number of factors including moisture, as Mr T says has happened here. However, neither side has provided a report which confirmed what caused the deterioration, instead they noted the deterioration was present. The final response letter set out Liberty considered the deterioration had been caused by wear and tear. And whilst I'm not persuaded they've shown this is the case, I don't consider Mr T has shown the deterioration set out in the May 2023 EICR is a consequence of the escape of water which occurred in 2019.

It follows I don't consider Liberty acted unfairly in declining Mr T's claim on the basis it hasn't been shown an event covered by the policy has occurred. I'm not going to require them to refund Mr T the cost he incurred in repairing the wiring.

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 Mrs O and Mr T to accept or reject my decision before 6 February 2025.

Emma Hawkins

Ombudsman