

The complaint

Mr and Mrs H complain that Admiral Insurance (Gibraltar) Limited unfairly rejected a claim under their home insurance policy.

For simplicity, and because most of the information about the complaint has been provided by Mrs H, I'll refer mainly to her from here onward.

What happened

Mr and Mrs H had home insurance with Admiral. In March 2023, Mrs H noticed damp on the wall of the stairway and landing. She suspected a leak from the shower was coming through the bathroom wall and made a claim on her insurance.

Admiral's surveyor inspected the damage. He agreed that the water in the stairway was coming from the shower in the bathroom. However, he said the shower was in poor condition. He highlighted *"broken wall tiles along with failed mastic to the vertical junctions"* and concluded the damage was *"a direct result of failed sealant/grout"*. Admiral declined Mrs H's claim because her policy excluded this type of damage.

Mrs H called Admiral in August 2023. Her builder spoke to Admiral's agent during this call. He said he'd discovered significant damage when refurbishing the bathroom. This included a leak from the outlet pipe under the shower tray, a leak from the shower inlet pipe behind the wall, damage to tiles, rotted floorboards, mould in the stairway and landing, and damage in the kitchen (mould, damage to wallpaper, fallen plasterboard).

Admiral instructed a second surveyor to visit Mrs H's home. By this point, Mrs H's builder had stripped the bathroom walls and removed the bathroom fittings. The surveyor said he couldn't access the pipes/valve behind the old shower because of a wooden panel. He found *"the majority of the damage is to the bottom corner of where the shower tray was"*, however recommended that Admiral should continue to decline the claim for *"failed sealant and grout"*.

Mrs H was unhappy Admiral continued to decline her claim despite the evidence from her builder. She brought her complaint to this service.

Our investigator didn't recommend that Mr H's complaint should be upheld. He thought Admiral's surveyor's reports showed that the damage was due to failed sealant and was satisfied that its decision to decline the claim under the policy exclusion was fair.

Mrs H disagreed, so the case was passed to me.

My provisional decision

I issued a provisional decision on this complaint on 15 November 2024. I said:

"Information about leaks is at Section 1 of Mrs H's policy booklet. This sets out what's covered by her insurance, including "Water escaping from any fixed water tank, water pipe, fixed central-heating system, or domestic appliance". The booklet also lists examples of what

isn't covered, including "loss or damage caused by... faulty, failed, or inadequate grout or sealant". Admiral relied on this exclusion to decline Mrs H's claim.

Importantly, Admiral must show that a policy exclusion applies when it declines a claim. In this case, I don't think it's done enough to show that failed grout or sealant was the main cause of damage.

I've read the three expert opinions in the case: reports from the two Admiral surveyors (April and September 2023), and one from Mrs H's builder. All reports include photos of the damage. Mrs H also sent us two videos showing a slow leak from a water pipe under the bathroom floor/above the kitchen ceiling.

Admiral's first surveyor decided the damage was due to failed grout. I agree that the photos in his April report show wear to the shower and areas where the sealant has failed. For example, there are some minor cracks to a couple of tiles, grout is worn in places, there's mould at the bottom of the shower door, and sealant appears to have come away from the base of the shower unit.

Mrs H's builder doesn't agree that the level of damage he discovered was caused by failed sealant. Instead, he says he found leaks from two pipes. I think the phone call on 30 August 2023 and his report support this.

Mrs H called Admiral on 30 August. In summary:

- She said her builder had found extensive damage when refurbishing the bathroom.*
- Her builder listed this damage: a pipe underneath the shower unit was leaking, a leak from the cold water inlet pipe, rotten floorboards, wallpaper falling off the walls, plasterboards had turned to "paper mâché". He'd turned off the water, made a temporary repair, and arranged for a plumber to make the repair permanent.*
- He also said: "There was a leak last week coming downstairs through the kitchen ceiling as well." This had "completely destroyed the kitchen ceiling."*
- The builder explained why Mr and Mrs H should be considered vulnerable customers.*
- Admiral's agent told the builder to complete the pipe repair. The agent also said: "we can understand if you go and install the bathroom, you know the shower and toilet and all the rest because they need that but [inaudible] but anything outside of that, that's what we would try and, that's what [the surveyor] would be inspecting as well."*

This is consistent with the builder's report, which says:

- He removed damaged bathroom wall tiles, the shower unit, stripped back the bathroom walls, and removed floorboards.*
- He found that the water inlet pipe to the shower was leaking and the leak had spread around the pipe.*
- "After taking photographic evidence of the water damage, Mrs H called Admiral about this and Admiral advised me to fix the leaking pipe which I did so [sic]."*
- He tested the new shower unit after installation and found that the outlet pipe was also leaking.*
- "...in my opinion the damage to the property was caused primarily by the two leaking pipes rather than any missing grouting."*
- His final invoice was just over £20,000. He estimated the additional work "to set the property right represented in my opinion £9,000 of the total invoice."*

It's difficult to see the leaks from the photos in his report. However, there's obvious water damage and staining both behind and below the shower unit where the wall and floorboards have been removed. The videos from Mrs H clearly show a leak from the pipe under the bathroom floor. So I think the builder's expert opinion that the leaks came from the pipes behind and below the shower is supported by the photos. Crucially, I don't think Admiral has shown that his conclusion is wrong.

The second Admiral report (September 2023) said repairs to the inlet pipe/valve "is not possible due to the wood behind this area." This seems to suggest that Mrs H's builder lied about the repair. But the builder's photos don't show this wooden board, meaning it was installed after the pipe had been repaired. As I've noted above, Admiral's agent told the builder to repair the pipe, so I don't think it's reasonable for its surveyor to say there was no evidence of a repair because a newly installed board covered it.

The surveyor also found significant damage around the shower tray. He said this was the source of "the majority" of the damage. That's consistent with Mrs H's builder findings. Admiral appears to have ignored this when it reviewed the claim.

The report includes at least four damp readings, with photos indicating where these readings were taken. But the surveyor doesn't comment on or explain these readings. I might reasonably have expected to see this, particularly given one photo shows he took a reading from the area behind the shower, in an area that wouldn't have been affected by failed grout. Mrs H's builder says he "observed that [the surveyor's] damp instruments were giving high readings at both damp areas".

The report also shows that the surveyor identified damp on the kitchen wall and ceiling. He took photos of this as well as a damp reading from this area. However, the report doesn't mention the kitchen damage at all. Indeed, Admiral told us Mrs H would have to make a separate claim for this damage. I don't think that's fair. Mrs H and her builder clearly told Admiral about the damage to the kitchen in the 30 August call. I think Admiral should have considered this as part of this claim.

I think Mrs H's builder has shown there were leaks from pipes running into and out of the bathroom shower. On balance, I'm satisfied that these leaks were the main cause of the damage to Mrs H's home. I don't think Admiral reports have shown otherwise. Importantly, I don't think Admiral has shown that the policy exclusion should apply.

For these reasons, I think Admiral's decision to decline the claim was unreasonable. I think it should settle the claim in line with the remaining policy terms. In this case, the repair work has been completed and Mr and Mrs H have paid for it. Admiral should refund the cost of this work, plus interest.

The builder's final invoice was £20,567.99. However, this includes work that wasn't directly related to the water damage. For example, it appears that Mr and Mrs H had an entirely new bathroom fitted. Under the policy terms, Admiral is only liable for repairing/replacing the areas of damage. Mrs H's builder estimated that the repair cost related to the water damage was £9,000. It would be helpful if he could provide a clearer breakdown of costs, but I'm conscious that it might be difficult to get this more than a year after the work was carried out. In the absence of any new evidence, his estimate doesn't sound unreasonable. I'm minded to ask Admiral to pay £9,000 to settle the claim, plus interest. I'd like both parties to comment on this before I make my final decision.

Finally, I think Admiral's handling of Mrs H's claim was poor. As I've explained, I don't think its decision to decline the claim was reasonable. But more than that, Admiral was aware that

Mr and Mrs H were vulnerable customers. Mrs H and her builder both explained the importance of Admiral's surveyor inspecting the damage as soon as possible.

In the 30 August call, Admiral's agent arranged a surveyor visit on 1 September. The surveyor failed to attend. Admiral blamed this on a "system error" but it clearly caused Mrs H unnecessary distress and inconvenience. She had to spend time dealing with both Admiral and the surveyor on 1 September when she and her husband were due to go on a short holiday. She'd arranged for a relative and the builder to wait for the surveyor. Admiral's records show she called four times on 1 September and again on 2 September to find out what was going on.

The surveyor visited three days later. However, the missed appointment meant Mrs H's builder was unable to finish the bathroom refurbishment for several weeks due to other work commitments. Mr and Mrs H were without use of their bathroom for about a month.

I find that:

- *Admiral's surveyor didn't turn up for a scheduled appointment which caused Mr and Mrs H significant inconvenience.*
- *This had a serious impact on when repairs were completed.*
- *Mrs H was passed between Admiral and its surveyor when trying to pursue the claim. For example, it's clear from a call on 14 September that Mrs H was referred to the surveyor by Admiral and vice versa, and was confused about who was responsible for her claim.*
- *Admiral told Mrs H she'd need to make a separate claim for the kitchen damage.*

These failings were particularly acute given Mr and Mrs H's vulnerability. I think Admiral should compensate Mr and Mrs H for these failings. I've considered the level of award this service makes in similar circumstances. Having done so, I think Admiral should pay Mr and Mrs H £600 to reflect its poor handling of their claim."

Responses to my provisional decision

Admiral said it accepted my findings and recommendations.

Mrs H told us she'd tried to contact her builder for further information but hadn't been able to reach him. She said she was happy to accept my provisional decision.

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.

As both parties accepted my provisional findings, I uphold the complaint for the same reasons set out in my provisional decision.

The only outstanding question is how best to settle the claim given the repairs have been done and Mr and Mrs H have paid for them. I asked the parties to comment on my proposal to ask Admiral to refund £9,000, plus interest, based on Mrs H's builder's estimate of the water damage repairs. As neither party was able to provide further comment or information on this, I see no reason to change my proposed redress.

My final decision

My final decision is that I uphold the complaint and order Admiral Insurance (Gibraltar)

Limited to:

- Pay Mr and Mrs H £9,000, reflecting the amount they paid for water damage repairs.
- Add interest to this at 8% simple per year from the date Mr and Mrs H paid their builder to the date of settlement.
- Pay Mr and Mrs H £600 to reflect the distress and inconvenience it caused by its poor handling of their claim.

If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs H how much it's taken off. It should also give Mr and Mrs H a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 25 December 2024.

Simon Begley
Ombudsman