

## **The complaint**

Mr and Mrs M complain about the way Liverpool Victoria Insurance Company Limited ("LV") dealt with a claim on their buildings insurance policy and about being charged a higher premium as a result.

## **What happened**

Mr and Mrs M have had their home insurance with LV for many years. They are joint policyholders but Mrs M has dealt with the claim and complaint correspondence.

When the policy came up for renewal in February 2024 they were told the premium for another year's cover would be £1,134. They paid this and the policy renewed.

In March 2024, Mrs M noticed some damp appearing in the downstairs toilet. She told LV that she had noticed this happening over the last six months and that the walls were becoming mouldy. LV said the damage appeared to be a maintenance issue and something that had been happening gradually, which wouldn't be covered by the policy.

Mrs M obtained a report from a drainage specialist, who advised there was an issue with the joints in an underground pipe, which was causing water ingress, leading to damp in the room.

Mrs M sent this report to LV and it agreed to cover a claim for damage to the underground pipe. LV said it wouldn't cover the internal damage, because this had been on-going for some time, and Mrs M had only reported it six months after she had first noticed the damage.

Mrs M says she then received a letter from LV saying she had to pay an additional premium before it could continue with the claim. She was unhappy about having to pay a higher premium and asked for the claim to be put on hold. The claim was closed on LV's system and recorded as a notification only. As a result, the premium was reduced back to £1,134.

LV paid some compensation for the inconvenience it caused Mrs M when registering her claim, but she remained unhappy with the way the claim had been handled and referred the complaint to our Service.

Our investigator said it wasn't fair to increase the premium during the policy year and insist that Mr and Mrs M pay the additional amount before dealing with the claim. She asked LV to re-open the claim and deal with it, and to offer £250 compensation for the upset caused.

LV didn't agree and said:

- Mrs M should have made the claim earlier, when she noticed the damp.
- If she had done so, it would have charged the higher premium at renewal, so it was fair to do this.
- The compensation it had paid was reasonable.

There was further correspondence, and LV offered to agree the claim costs and waive the additional premium, but wasn't willing to pay compensation. But no agreement was reached, so I need to make a 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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim.

The policy terms say

*"If you make a claim after we've sent your renewal, your price may change to reflect this. If this happens we'll send you an updated invite or a letter confirming the change in premium if you've already renewed and the claim happened before your renewal date."*

LV says although Mrs M didn't get in touch until February 2024, she had first noticed signs of damp in October 2023. So it thinks the claim happened before the policy renewal, and if it had been made aware of a claim before then, the higher premium would have been charged. So LV says it would have been fair to increase the premium.

I've considered this carefully but I don't think that approach is fair. By issuing a policy, LV effectively promised to cover Mr and Mrs M against certain risks for the term of the policy. If their circumstances change during the term of the policy – which would include making a claim – that's part of the risk LV agreed to take on.

LV effectively changed the terms of the contract. There are limited situations where it is reasonable for the insurer to vary the terms of an insurance policy after it has begun, for example when the nature of the risk changes fundamentally. I don't think that's the case here. And I don't think it's fair to rely on the policy term set out above. That would apply where the renewal quote is provided and, in the period between then and the renewal date, the policyholder makes a claim. That isn't what happened here

I appreciate LV says Mrs M should have made a claim when she first noticed signs of damp. But at that point she wasn't aware there was something she needed to claim for. It was only later on – after the policy had renewed – that the problem was such that she needed to make a claim. It wouldn't be fair to treat the claim as having been made in October 2023.

An insurer may make changes during the policy year if it can show there was a qualifying misrepresentation when the policy renews. I don't think there's any evidence of that here. Indeed, LV didn't argue that had happened, but said Mrs M should have made the claim earlier and sought to rely on the policy term I've referred to.

In response to the investigator, LV said it would be prepared, as a gesture of goodwill, to agree the claim costs and waive the additional premium, but wasn't willing to pay compensation in addition to that.

For the reasons set out above, I don't think it would be fair to charge an additional premium before the next renewal. LV agreed to provide cover at the premium charged for the policy year. I think it should provide that cover at the price charged. Mrs M thought she had cover for the year at the price she had paid for it. So it was very upsetting to find the policy wouldn't provide cover for the claim unless she paid a higher premium. And she was put to a

lot of trouble having to deal with this. In the circumstances, I think it is fair to pay some compensation for that.

### **My final decision**

I uphold the complaint and direct Liverpool Victoria Insurance Company Limited to:

- re-open the claim and deal with it in line with the policy terms; and
- pay compensation of £250 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 21 April 2025.

Peter Whiteley  
**Ombudsman**