

The complaint

Ms A's complaint is about the rejection of a claim made under her legal expenses insurance with Liverpool Victoria Insurance Company Limited.

What happened

In September 2023, Ms A made a claim for cover under her policy with Liverpool Victoria, as she wanted to make a legal claim arising from faulty installation of cavity wall insulation to her property. Ms A says this was essential works. Ms A lives in a flat and the local authority funded the installation of insulation to the building. However, a defect on the pipework installed has led to water getting into Ms A's property causing damage.

Liverpool Victoria rejected the claim, as it said it did not fall within any of the sections of cover. The policy covers "*repair and renovation*" disputes but Liverpool Victoria says this would not cover Ms A's claim which relates to home improvements. It says there was no repair or renovation of any existing part of the building as the installation of new insulation would be considered improvement works, for which there is no cover.

Liverpool Victoria also considered whether there might be cover under the property disputes section of the policy, but said this specifically excluded contract disputes, so the claim would not be covered under this section of the policy either.

Ms A complained but Liverpool Victoria did not change its position, so she referred her complaint to us.

One of our Investigators looked into the matter. She recommended the complaint be upheld, as she did not think it was reasonable to reject the claim as there was no definition of "*repair or renovation*" in the policy and there was no exclusion for home improvement works. The Investigator said that the dictionary definitions of the word "*renovation*" included improvement works. The Investigator therefore recommended that Liverpool Victoria reimburse the legal costs incurred by Ms A in pursuing the claim, together with interest at 8%.

Liverpool Victoria did not accept the Investigator's assessment. Liverpool Victoria says that the dictionary definitions of renovation provided by the Investigator refer to it being to "*repair and improve*". Liverpool Victoria says the fact the insulation was not present before means the work to install insulation cannot be considered a repair and it therefore would also not count as renovation. It said the absence of a specific exclusion for improvement works does not mean they are included. Liverpool Victoria says again the policy does not cover improvements and "*insulation was part of necessary essential work to get the building to a satisfactory level*".

As the Investigator was unable to resolve the complaint, it was passed to me.

I issued a provisional decision on the matter earlier this month. I agreed with the Investigator that the complaint should be upheld but did not agree that it would be fair to require Liverpool Victoria to meet the legal costs Ms A has incurred without having the opportunity to

assess the claim against the remaining policy terms. I have set out the main parts of my provisional decision below:

“The relevant regulator’s rules say that insurers must handle claims promptly and fairly and they mustn’t turn down claims unreasonably. Having considered all the evidence carefully, I don’t think Liverpool Victoria acted reasonably in turning Ms A’s claim down. I’ll explain why.

Ms A’s policy provides cover for various legal disputes. It says it will provide cover for *“any professional fees expenses and other disbursements reasonably incurred by the Appointed Representative with the consent of the Insurer’s Representative”* as well as any costs the policyholder is ordered to pay to the other party.

The policy covers property disputes but there is an exclusion of cover under the property disputes section for contract disputes, so I agree there is no cover under this section of the policy for Ms A’s claim.

The policy also covers contractual disputes relating to repair and renovation of Ms A’s property, as follows:

“Sub-Section B – Repair and Renovation Disputes

The Insurer agrees to indemnify the Insured against Legal Expenses incurred in the pursuit or defence of any dispute or legal proceedings made by or brought against the Insured in a contractual dispute with a Contracting Party over the repair or renovation to a Property provided that

- a) the Legal Expenses indemnified shall be limited to 75% of the sum in dispute*
- b) the amount in dispute exceeds £1,000 and the contract value is less than £100,000.”*

The words *“repair”* and *“renovation”* are not defined in the policy. I therefore think it is reasonable to use their normal meaning. I have also considered how the above terms of Ms A’s policy would likely have been interpreted by a reasonable person at the point the contract was entered into.

The policy covers contract disputes about the repair or renovation of the property, so I consider only one of these needs to apply for the claim to fall within the cover provided by this section of the policy.

I agree that the work of installing insulation that was not already in place, would not reasonably be considered to be repair work. However, I agree with the Investigator that it would be reasonably considered to be renovation work. I will explain why.

The Investigator provided two dictionary definitions of the word *“renovation”*. The Cambridge dictionary defines it as *“the act or process of repairing and improving something, especially a building”* and the Collin’s dictionary states: *“If someone renovates an old building, they repair and improve it and get it back into good condition.”*

Both these definitions refer to renovation including improvement works to a building. I also note, as pointed out by Liverpool Victoria, that they refer to renovation being repair and improvement.

However, the Oxford English Dictionary says it is “*to restore to a previous condition by replacing lost or damaged parts or elements*” and that it is also “*(more generally) to improve the condition of...*”

I think the installation of insulation, which were apparently essential works, would amount to improving the condition of the building.

Having considered these definitions and what most people would consider renovation work would mean. I think it is reasonable to interpret renovation work to include improvement works and repair of any existing item or structure does not need to also be a factor.

The absence of any reference to improvement works in the policy does not in itself automatically mean it is included in cover. However, in my opinion, the absence of any specific exclusion for general improvements to the property, and the normal understanding and dictionary definitions of the word renovation, means it is fair and reasonable to interpret the above section of cover as including cover for works such as is the subject of the contract dispute here.

I do not therefore consider Liverpool Victoria acted fairly or reasonably in rejecting the claim based on this term. I therefore now have to consider the impact, if any, this has had on Ms A.

The Investigator said Liverpool Victoria should reimburse the legal costs Ms A has incurred in dealing with the matter. However, there are other policy terms that might be relevant to the claim, so I think Liverpool Victoria would be entitled to assess whether the claim would have been covered subject to the remaining terms of the policy.

I therefore intend to require Liverpool Victoria to reconsider the claim. If it is determined that the claim should have been accepted in October 2023, then I would expect it to backdate cover.

Compensation

For the sake of clarity, as I cannot determine based on the evidence currently available to me, whether the claim would have met the other policy terms and therefore that Ms A would have had legal costs met, I can only consider the compensation due for the fact Liverpool Victoria it relied on a policy exclusion that I do not think reasonably applies.

Ms A needed legal help and Liverpool Victoria failed to properly consider her claim. Even if her claim is not ultimately covered (and I make no finding about that here) I can understand why this would have caused additional distress and inconvenience at the time. I therefore intend to also award £150 compensation for this.”

Responses to my provisional decision

I invited both parties to respond to my provisional decision with any further information or arguments they want considered.

Liverpool Victoria has confirmed it accepts my provisional decision and has nothing further to add.

Ms A does not accept my provisional decision. She wants the legal costs she has incurred to be reimbursed together with 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, and as no further information or evidence has been provided, I see no reason to change my provisional findings regarding the legal costs and the compensation I proposed to award.

I note Ms A just wants her costs to be reimbursed but for the reasons set out in my provisional decision, I do not agree that it is reasonable to require Liverpool Victoria to pay those fees without having the opportunity to assess the claim against other policy terms. Once it has done so, if it determines that the claim should have been accepted, I would expect it to backdate the cover. If Ms A is unhappy with the outcome of that assessment she can raise another complaint.

My final decision

I uphold this complaint and require Liverpool Victoria Insurance Company Limited to do the following:

- reconsider Ms A's claim for cover, subject to the remaining terms of the policy; and
- pay Ms A the sum of £150 for the distress and inconvenience caused by its rejection of the claim on the grounds it did.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 21 January 2025.

Harriet McCarthy
Ombudsman