

## **The complaint**

Miss H complains about the way Lloyds Bank General Insurance Limited handled an escape of water claim under a buildings insurance policy.

Reference to Lloyds include its agents.

## **What happened**

In summary, Miss H held buildings insurance with Lloyds. She noticed persistent mould and found water escaping from a pipe in the void underneath the bathroom, so she made a claim.

Lloyds appointed agents to, broadly, remove contents, clean mould, and deal with drying. Miss H says things didn't go well, mould was spread throughout the property impacting her and her family's health, her contents, and she had to move out. She has said what was meant to be a six-month repair job turned into a distressing and protracted claim.

Miss H, in brief, has said mouldy contents were left in the property, stored with non-contaminated items, rooms weren't isolated, and drying machines blew mould around. She also said Lloyds forced her to accept contents back from storage without testing all items, which was against the advice of mould experts appointed by Lloyds. It tested a sample of contents which Miss H said highlighted some issues with mould.

Miss H raised several issues to Lloyds about its handling of the claim. The building reinstatement works were settled by Lloyds in October 2023, allowing Miss H to move back in, but without most of her contents. The contents aspect of the claim remains unresolved. Miss H has said Lloyds should either test all items, or cash settle the claim, and compensate her.

Lloyds responded in November 2023. It said, in brief, its agents didn't cause further mould. Rather, initial claim delays were the cause, the property had an underlying issue with damp, and in any case, it offered to pay for a surveyor to inspect the cause of mould, which Miss H refused.

It said only a small number of contents had signs of mould or needed cleaning, it cleaned the entire inventory, and any items that couldn't be restored were written off – leading to a cash settlement of roughly £56,000 to Miss H so far. It offered to test a further 20% of items to give Miss H peace of mind, and paid her £1,375 compensation for the service issues. Miss H didn't think this was fair, so she approached our Service.

I issued a provisional decision on 22 January 2025 where I said:

### **“What I’ve provisionally 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.

Miss H raised several points in relation to this matter. I recognise I've summarised her complaint in less detail than she's presented it. In this decision I've not addressed each point individually – rather, I've focused on what I think the key points are and what I think is a fair and reasonable way to resolve this longstanding dispute. I mean no discourtesy by this – it simply reflects the informal nature of this Service.

Miss H, in brief, is unhappy with the handling of mould, the storage of mouldy items, and Lloyds forcing her to receive these back without all items being tested first. As this claim relates to the buildings and contents, and the overall service, I've used subheadings to set out my decision for ease of reading.

### The buildings

Persistent mould prompted Miss H to make further enquiries. This led to the discovery of a longstanding escape of water which impacted the bathroom and two bedrooms upstairs.

Lloyds' agent attended in June 2022. Their role was, broadly, to prepare the property for reinstatement works by cleaning mould, undertaking drying, and dealing with contents. They completed their works and a dry certificate was issued on 3 October 2022. At this point, the claim was running smoothly. I say this because the property was confirmed as dry, ready for reinstatement works, and the repairs were said to only require six weeks.

Miss H however told Lloyds later, in October 2022, mould had returned, was now in the lounge and lower floor bedrooms, which wasn't the case prior to Lloyds' agents attending. Then, in November 2022, a company I'll refer to as "AD" attended, said the mould was bad, and Miss H required alternative accommodation, as further works were required to prepare the property for reinstatement works.

On 21 October 2022, AD provided a report which set out the following key points:

- The area of stripped-out bathroom between the rooms (where water was escaping) showed evidence of mould and needed thorough decontamination.
- There was evidence of mould on some joists where strip out works had been done. And all living areas and surfaces above required cleaning.
- Mould was found on the ceiling in the stripped-out bathroom area. The partitioning between the landing and the strip out area was mouldy, required replacing without delay, and this would have impacted air quality.
- Mould was present in bedrooms on the ground floor, and in the lounge, where Miss H had said wasn't an issue prior to the claim-incident.

These findings resulted in a major setback and a much bigger challenge to deal with in order to prepare the property for reinstatement works. Lloyds were responsible for preparing the property for the same, and I find it made a service failing at the outset of this claim. I say this because shortly after it confirmed the property as dry, clean, and ready for reinstatement works, the findings set out above by AD do not support that was the case.

These findings also resulted in Lloyds categorising the claim as a major loss claim, the reserve was increased, and it was passed to another loss adjuster. I appreciate

Miss H has said unlike the first loss adjuster, the second adjuster failed to manage the claim appropriately. But I find this was largely the result of the claim growing significantly in cost and challenges as further works needed to be completed before reinstatement works could start. And there was also a challenge regarding the ongoing recurrence of persistent mould.

Due to the ongoing mould, Lloyds commissioned a leak detection report to be done. I find this was a reasonable decision for it to make. The report however found no further leaks, but there were high levels of moisture in the downstairs bedroom found as the result of rising rainwater. It was recommended a builder waterproofed an external wall. Lloyds had said it suspected an underlying issue with damp at the property, and I don't find this was an unreasonable conclusion for it to reach based on these findings – particularly as no further leaks were found, and the claim-related leak had been resolved some months prior.

AD carried out remediation works thereafter, and the buildings aspect of the claim progressed. However, further mould was found on skirting boards in August 2023, although the walls were dry. Miss H suspected this was the result of her empty property having a lack of airflow. Whereas Lloyds said a builder had been in and out the property only weeks prior, the builder had also mentioned an issue with leaking gutters, and Lloyds remained of the view there was an underlying issue with damp.

AD carried out further testing in the loft in August 2023 which returned no issues. AD then provided a further report in September 2023 which set out the following key points:

- AD had completed its mould remediation works prior to this report, but since then, Miss H noticed mould within the downstairs utility room.
- Most lower walls within the utility room appeared damp, moisture was trapped beneath floor tiles, and dampness and recent mould appearance was linked to penetrating damp being able to enter through external doors and / or lower walls unrelated to the claim-incident.

Returning to my earlier point, Lloyds had said there was an underlying issue with damp at the property, and I further find this conclusion was fair and reasonable based on the above.

In September 2023, Lloyds recommended appointing a surveyor at its own expense to report on the ongoing mould problem due to the unusual nature of its recurrence. I find this was reasonable given the ongoing issues with mould some 17 months after the claim-incident was reported. Miss H rejected this. And in the meantime, as I understand it, AD recommended some remedial works be undertaken, and claim-related works were then completed in October 2023, allowing Miss H to move back in, with this aspect of the claim being settled.

All things considered – I find there was a service failing here by Lloyds at the initial stages of this claim. Its agents were required to, in essence, prepare the property for reinstatement works. Lloyds confirmed that was the case in October 2022, with a drying certificate being issued, but on further review by AD, a bigger challenge was found which resulted in this claim becoming more complex and protracted which no doubt caused Miss H ongoing distress, inconvenience, and disruption. And I've noted the impact Miss H has told us about regarding her and her family's health, which I acknowledge would have caused her a further great deal of worry and distress.

So, it follows I find Lloyds ought to have handled the buildings aspect of this claim much better at times – and with a more appropriate level of customer service. I agree some compensation is due, and I'll address this later in my decision.

### The contents

The policy says Lloyds will settle a contents claim by either repairing or replacing an item. I therefore find it was reasonable for Lloyds to opt to settle most of Miss H's contents by undertaking cleaning restoration works for them to be returned. The policy didn't require it to write off all items and pay Miss H a cash settlement.

Lloyds were responsible however for cleaning and packing up contents to be moved to storage, amongst other things. And contaminated items ended up going into storage, some were left behind, and, ultimately, despite cleaning all contents several times, sample testing has shown an issue with contamination. This has impacted the return of contents to Miss H.

Miss H was unwilling to accept contents back as a result without all items being tested. I find her reasons for not accepting the return of all her items, and her concerns with the way Lloyds handled this aspect of the claim, to be reasonable. I say this given the ongoing issue of persistent mould, her worry that potentially contaminated items could be returned, the potential impact on her and her family's health, and the previous test sampling results, amongst other things.

Lloyds agreed to test a further 20% of items starting with the highest value items. This was something Miss H suggested based on the claim notes. It has also said the cost of testing an item is roughly £50. But Miss H has also said Lloyds should either test all items or write off the remaining contents in storage and cash settle the claim.

This is a very unusual position for a contents claim to take, and I don't find there is a clear remedy available. I say this because I am not persuaded requiring Lloyds to test a further 20% sample of items would be beneficial, nor do I think requiring it to write off and cash settle all items would reach a fair and reasonable outcome. I say this because I am not satisfied – based on previous sample testing – there is a requirement to write off all items due to decontamination.

It's not entirely clear to me what items remain in storage, the condition of these (since the November 2023 AD sampling report, which concluded 3 of 30 items required recleaning and retesting), or which items were included within the cash settlement amount that's been paid to Miss H so far, totalling roughly £56,000.

Therefore, given the unusual nature of this claim, and the fact a dispute has been running since 2022, which I know both parties are eager to resolve fairly and promptly, I intend to direct Lloyds to take action here to bring this matter to a fair and reasonable conclusion. It follows I intend to direct Lloyds to do the following to settle this complaint:

1. Items in storage with a value of *more* than £100
  - Lloyds must carry out testing to all contents items that remain in storage with a value of over £100. Lloyds has said the cost of testing per item is roughly £50, therefore I find it would be uneconomical to require Lloyds to test any items under £100.
  - The items in storage with a value of over £100 should be tested. If the item passes testing, it should be returned to Miss H promptly.

- If an item fails the test, Lloyds must decide whether it is economical to undertake recleaning and retesting of the item or write it off and cash settle the item in line with the remaining policy terms.

2. Items in storage with a value of /ess than £100

- As per bullet point one above, it would be uneconomical for Lloyds to test such items. Lloyds should therefore write off these items and provide Miss H with a cash settlement for the same in line with the remaining policy terms.

I'm aware some items have been tested previously in sample testing. I acknowledge Lloyds may argue the need to retest items that previously passed testing would be unfair and disproportionate. But given the passage of time since these items were tested, and that they were potentially stored with contaminated items (Miss H's understandable concern), I find it fair and reasonable to require Lloyds to do as I've set out above.

I acknowledge there will be specific items Miss H will want Lloyds to write off and cash settle regardless of testing results – such as soft furnishings. I note she's provided guidance documents from AD which say soft furnishings with mould growth are usually deemed beyond repair. But I think these documents also seem to set out cleaning may also be acceptable if a higher standard of care is taken, testing will confirm this, and the decision to write off an item is ultimately one that needs to be made on a cost-benefit / risk management basis.

So, I find what I've set out above under headings (1) and (2) to be a fair and reasonable way to resolve the dispute concerning all of Miss H's contents items currently in storage. It follows I intend to direct Lloyds to settle Miss H's claim in line with these instructions.

Other

With any insurance claim, it's likely a policyholder will experience a level of inconvenience and disruption – particularly in claims of this nature involving persistent mould damage, multiple agents, and the requirement for alternative accommodation. This claim was anticipated to require only six weeks of reinstatement works, but unfortunately things became more complex and protracted as time went on, which Lloyds were in part responsible for, given the reasons I've set out above.

Given my findings above, I am satisfied Miss H was caused a great deal of ongoing distress, inconvenience, and disruption, which potentially impacted her and her family's health, for several months. It follows significant compensation is appropriate. I find £2,000 compensation to be fair and reasonable as I am satisfied this reflects the impact this matter had on Miss H. So, I intend to direct Lloyds to pay Miss H £2,000 compensation in total.

**My provisional decision**

I intend to uphold this complaint and require Lloyds Bank General Insurance Limited to:

- Settle Miss H's claim in line with my instructions above regarding the contents; and

- Pay Miss H £2,000 compensation in total for the distress and inconvenience caused.”

### Responses to my provisional decision

Lloyds responded to say it had decided to replace all of Miss H’s items that remain in storage, which was beyond the outcome I intended to direct Lloyds to do to resolve this complaint.

Miss H also confirmed Lloyds had contacted her to say it proposed to replace all items in storage, and Miss H has been putting together a list of costings for the remaining items.

Miss H also said she didn’t think £2,000 compensation was fair given the passage of time since making the claim, where Lloyds have held on to her contents items, and the overall impact this has had on her. She also said Lloyds hasn’t been in touch with her since late-2023, she replaced every day household items after moving back into her property at her own expense, and her insurance premiums have increased.

### **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.

Within my provisional decision, I set out what I considered to be a fair and reasonable way for Lloyds to put matters right. I said, in brief, I wasn’t satisfied requiring Lloyds to test a further 20% sample would be appropriate, but I also said I didn’t think requiring Lloyds to write off and cash settle all items would reach a fair conclusion either. I said this because I didn’t consider the sampling results or policy required it to do so.

Since issuing my provisional decision, Lloyds has said it contacted Miss H to inform her it intended to replace all her contents items in storage, and Miss H has been compiling a list of contents items she thinks Lloyds should replace under the policy.

Importantly, as I understand it, both parties are prepared to accept this method of settlement to settle the outstanding contents aspect of this claim. This settlement goes further than what I set out in my provisional decision. I find this method of settlement to be fair and reasonable, so it follows Lloyds must now settle this aspect of the claim in line with the remaining policy terms.

I’ve noted Miss H’s further comments regarding the compensation amount I intended to direct Lloyds to pay her, her other costs for replacing contents items after moving back into her property around October 2023, and the lack of contact from Lloyds thereafter.

It is important I say I acknowledge the ongoing nature of this complaint, the prolonged distress, inconvenience, and disruption caused to Miss H. And that’s why I set out I was satisfied significant compensation was appropriate here. This complaint has also continued to remain unresolved while this Service considered matters and, ultimately, whether Lloyds responded to it fairly and reasonably when it issued its final response letter to Miss H back in November 2023. I remain of the opinion £2,000 compensation is fair and reasonable here for the distress and inconvenience caused to Miss H, for the reasons I set out previously.

Regarding the costs to Miss H to replace everyday items once she returned to her property, she has provided a list of items she says she purchased for roughly £20,000 in total. I said within my provisional decision that it wasn’t entirely clear to me what items remained in

storage and, importantly, which items were included within the cash settlement amount that has been paid to Miss H so far, which Lloyds has said totals roughly £56,000.

Therefore, and being of the understanding both parties are liaising to progress the remaining contents claim to settlement, and Miss H is compiling a list of outstanding contents items to Lloyds, I find the agreement reached by the parties to settle the contents aspect of the claim to be a fair and reasonable way to resolve this complaint.

In concluding, I accept aspects of my decision will come as a disappointment to Miss H. I recognise this has been a very difficult time for her, and there is more for her to do in respect of providing Lloyds with relevant information to progress this longstanding dispute to settlement. My decision however marks the end of this Service's involvement in this matter, in attempting to informally resolve her dispute with Lloyds.

Should Miss H be unhappy with the settlement from Lloyds, she will need to complain to it in the first instance for it to have the opportunity to respond to.

### **Putting things right**

For the reasons mentioned above, I now require Lloyds Bank General Insurance Limited to:

- Lloyds must now replace all remaining contents items in storage in line with the remaining policy terms; and
- Pay Miss H £2,000 compensation in total for the distress and inconvenience caused.

### **My final decision**

For the reasons I've given above, my final decision is I uphold this complaint. I now require Lloyds Bank General Insurance Limited to settle this complaint in line with my instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 11 March 2025.

Liam Hickey  
**Ombudsman**