

The complaint

Mr and Mrs B complain about the settlement offered by Lloyds Bank General Insurance Limited under their buildings insurance claim.

Any reference to Lloyds Bank includes the actions of its agents.

What happened

Mr and Mrs B hold buildings insurance cover with Lloyds Bank. In 2021 they made a subsidence claim after noticing cracks in the property over the previous five years.

Lloyds Bank visited the property and found cracking and distortions throughout the house. It was thought the damage indicated subsidence movement. Lloyds Bank arranged for site investigations to take place.

Trial pits/boreholes revealed some roots below the property, as well as some groundwater. Drainage investigations found defects with drain runs C and D and repairs were recommended. A survey of the drains running from one of the manholes couldn't be completed as it needed jetting in order to view it, and the toilet needed to be removed for them to complete a survey of this line.

Lloyds Bank confirmed it was accepting the subsidence claim and said it would arrange for the drain repairs to take place (including clearing the blockage from the drain run that hadn't been accessed so this could be inspected). It also said it would arrange for an arborist to carry out an inspection.

Lloyds Bank understood all the drain investigations/repairs were all completed by December 2021. Monitoring then took place. Lloyds Bank was satisfied this didn't show significant movement and wanted to carry out repairs. However, Mr and Mrs B thought there was still movement in the property.

It was then discovered that the drain repairs hadn't taken place in 2021. So, these took place in March 2023. Mr and Mrs B were concerned that the monitoring (before the drain repairs took place in March 2023) didn't show significant movement, and so they were concerned that the drains weren't the cause of the subsidence movement in the first place.

The monitoring that took place after the drain repairs in March 2023 showed no sign of significant movement. Lloyds Bank asked Mr and Mrs B if they wanted a cash settlement, or if they wanted Lloyds Bank to carry out the repairs.

In October 2023, Lloyds Bank visited the property with Mr and Mrs B's representative. Lloyds Bank uplifted the carpet and found a concrete slab with the internal walls constructed off it. This slab had considerable crack damage, and this was found to be caused by a sulphate attack where red shale beneath the concrete had come into contact with water, causing a chemical reaction.

Lloyds Bank agreed to cover the cost of repairing the subsidence damage to the rear of the property, but refused to repair the damage caused by the sulphate attack as it said this wasn't covered under the policy. It decided not to offer to repair the subsidence damage as it said it couldn't guarantee the repairs given the additional damage caused by the sulphate attack. Lloyds Bank offered Mr and Mrs B a cash settlement of £4,065.87 (less £1,000 excess) based on the scope of works, but said it would be happy to consider a quote Mr and Mrs B obtain from their own contractor for the repairs.

Mr and Mrs B were unhappy with the cash settlement offered, and that the damage caused by the sulphate attack wasn't being covered. They were also unhappy with the communication from Lloyds Bank about their claim.

In April 2024, Lloyds Bank issued its first final response. It said the delays on the claim had been caused by Mr and Mrs B's loss assessor. Lloyds Bank also said the cracked concrete floor had been caused by a sulphate attack and there was no cover under the policy for this. It confirmed a cash settlement had been offered for the insured subsidence repairs.

In June 2024, Lloyds Bank issued its second final response. It again said that Mr and Mrs B's loss assessor was responsible for failing to provide them with updates on their claim. Lloyds Bank noted that Mr and Mrs B didn't think all the subsidence repairs had been included in the scope of works, but said that its loss adjuster was an expert in handling subsidence claims and it wouldn't change the decision made in relation to the repairs needed to the property. Finally, Lloyds Bank said it wouldn't change the cash settlement but if Mr and Mrs B obtained their own quotes, they could provide this to its loss adjuster who would review these.

Unhappy with Lloyds Bank's response, Mr and Mrs B brought a complaint to this service.

Lloyds Bank then looked at things again and accepted it had been responsible for some delays with the drain repairs. It said it would pay Mr and Mrs B £300 compensation for this.

Ultimately, our investigator didn't recommend the complaint be upheld. She thought it had been reasonable for Lloyds Bank to refuse to cover the damage caused by the sulphate attack. Though she said that since Lloyds Bank wanted to pay a cash settlement to Mr and Mrs B for the subsidence works, she would expect Lloyds Bank to pay the amount it would cost Mr and Mrs B to have this work done. So she said Mr and Mrs B should obtain a quote based on Lloyds Bank's scope of works and send this to Lloyds Bank to consider, as Lloyds Bank had already agreed to consider this.

Mr and Mrs B didn't accept our investigator's findings and so the matter has been passed to me for 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.

Subsidence damage

The site investigations arranged by Lloyds Bank found drainage defects, as well as roots below the property. An arborist report was arranged. This didn't recommend the removal of any vegetation but did specify three types of vegetation that they said may be subject to review following additional site investigations. Mr and Mrs B were responsible for one of them (ivy).

Lloyds Bank thought the ivy should be removed to eliminate it as a potential influence. This was because it was attached to the right-hand elevation of the property where there was subsidence damage. Mr and Mrs B agreed to do this.

Lloyds Bank thought the drain repairs had taken place in December 2021. It arranged monitoring to see if the property was then stable. The readings initially showed upward movement (which Lloyds Bank attributed to the removal of the ivy), and then downwards movement. After that I understand there was low levels of movement, though Lloyds Bank didn't think this showed progressive subsidence movement. However, Mr and Mrs B were still concerned that the property was moving. Further monitoring therefore took place.

In January 2023, it was discovered that the drainage repairs hadn't taken place in December 2021. This came to light after Mr and Mrs B's representative asked the drainage contractor what works they had done.

I've looked at Lloyds Bank's claim notes from this time. I see that the drainage contractor called Lloyds Bank on 8 December 2021 to say they'd tried to book in the drain repairs with Mr and Mrs B, but Mr B had advised the repairs had been done. He said he had taken out the toilet whilst a contractor was there and had the work done. So, Lloyds Bank advised the drainage contractor to cancel the appointment as it was understood the work was complete.

Ideally, Lloyds Bank should have double checked what work had been done. Though it's also the case that Mr and Mrs B appear to have cancelled the arranged appointment for the drain repairs, and if they hadn't done that, the repairs would have gone ahead as planned at the time. It seems both parties were mistakenly under the impression that the repairs had been done. I think both parties likely contributed to the confusion, and resulting delay, here. Though Lloyds Bank has offered Mr and Mrs B £300 compensation for its part in the delay. I think that's reasonable in the circumstances.

As I understand it, further work was done to the drains in March 2023, though it's not clear what work took place. Lloyds Bank has now told this service that the repairs to drain runs C and D were completed in October 2021, and it was only the further investigations into the blocked drain run that didn't go ahead in 2021 which were completed in 2023. I've read the drainage contractor's updated report from July 2023, and this isn't clear. The contractor says they reattended to check drains/repairs, and all repairs recommended had been done. It doesn't say these were done in 2021. Though it did say Mr B had advised them that another contractor had been out to survey the previously blocked drain, and it was fine and free from defects.

Though if drain runs C and D *were* repaired in 2021, this would explain why the monitoring carried out from the end of 2021 didn't show further subsidence movement. Although the previously blocked drain run hadn't been investigated at the time as it ought to have been, later investigations confirmed it was free from defects and so hadn't been contributing to the movement at the property.

In any event, it seems all the drain repairs/investigations had been completed by March 2023. Lloyds Bank then arranged further monitoring and this confirmed there was no further subsidence movement. So, I think it was reasonable for Lloyds Bank to proceed to the repair stage. Though Lloyds Bank then discovered the damage to the living room area. It decided to settle the claim by way of a cash settlement, as it didn't want to carry out the subsidence repairs as there was uninsured damage caused by the sulphate attack.

This decision was up to Lloyds Bank, though as our investigator has said, when an insurer chooses to cash settle a claim, we would expect the insurer to pay what it would cost the policyholder to pay for the repairs. Lloyds Bank has confirmed it's happy to do this, but

Mr and Mrs B haven't provided their own quotes. I note that Mr and Mrs B were struggling to obtain quotes from local contractors to put right the subsidence damage.

One possible way around this would be for Mr and Mrs B to arrange for their own contractor to carry out the repairs to the living room area damaged by the sulphate attack. Once that has been put right, Lloyds Bank may well be willing to carry out the subsidence repairs. I don't know if Mr and Mrs B would want to do this, but if they do, I would suggest they contact Lloyds Bank to discuss this.

Though at the moment, I'm satisfied that it was reasonable for Lloyds Bank to offer Mr and Mrs B a cash settlement, but also to offer to consider quotes that Mr and Mrs B obtain in line with the scope of works.

I understand Mr and Mrs B have since asked Lloyds Bank whether some crack damage in their bathroom could also be considered, and Lloyds Bank is considering this.

Mr and Mrs B are also unhappy that Lloyds Bank has refused to cover the cost of putting right crack damage to the rendering on the exterior wall. Lloyds Bank says the cracking became evident when the ivy was removed from the property, and that it was apparent it had been there a long time. Lloyds Bank doesn't think the damage has been caused by subsidence.

I see that Lloyds Bank did speak to a subsidence specialist about this before refusing to cover the damage. The subsidence specialist thought a bow in the wall (due to a lack of lateral restraint) had caused the cracking. In the absence of any evidence from Mr and Mrs B to support their view that the cracking on this wall was caused by subsidence, I think it was reasonable for Lloyds Bank to rely on its subsidence specialist's view and exclude this cracking from its scope of work.

Mr and Mrs B arranged their own structural inspection (carried out by a structural engineer) in May 2024. They said there was at least two issues with the property – heave and subsidence. I've addressed the heave aspect below. With regards to the subsidence, their engineer thought more investigation was needed to see if drains in the adjacent road and mineworking had affected the property. They also said traffic movement outside from a nearby road and railway may also be having an effect on the ground.

Lloyds Bank has pointed out that monitoring that has taken place after the drain repairs show the property to be no longer moving, and therefore it doesn't think further investigations are necessary. I'm minded to agree with this conclusion. I understand Mr and Mrs B are concerned about the impact of traffic vibrations on their home, but this wouldn't be covered under the policy anyway (as they don't have accidental damage), and so I don't think it's necessary for Lloyds Bank to carry out further investigations.

Sulphate attack

The damage from the sulphate attack is in the living room area, and the subsidence was at the rear of the property. So I think it was reasonable for Lloyds Bank to conclude this wasn't related to the subsidence.

Damage by a sulphate attack isn't an insured event under the policy, and Mr and Mrs B don't have accidental damage cover.

The policy excludes damage from a gradually operating cause, and explains this is something that happens gradually over a period of time, for example corrosion, damp, condensation, decay or decomposition.

Our investigator initially thought the damage caused by the sulphate attack might have happened because of an escape of water due to the defective drains. She explained that if that were the case, then since Mr and Mrs B weren't aware of the damage happening, then she thought it wouldn't be reasonable for Lloyds Bank to rely on the gradual operating cause exclusion. She initially recommended that Lloyds Bank consider this further.

Lloyds Bank did consider this further, but didn't accept that an escape of water had caused the damage. After considering Lloyds Bank's arguments around this, our investigator was persuaded there hadn't been an escape of water. For completeness though, I've also considered this.

The policy says it covers:

'Escape of water from any domestic appliance or any fixed domestic water installation. For example a washing machine, dishwasher, freezer, heating system or water mains.'

Under 'what we don't cover' in this section, the policy says:

'Damage caused by the escape of water from guttering, rainwater downpipes, roof valleys, gullies and overflows.'

Lloyds Bank makes the point that the leaking drain runs aren't a domestic appliance or fixed water installation, and I would agree. Though in any event, I'm not persuaded that the defective drains caused the sulphate attack.

Lloyds Bank has pointed out that the two drain runs that had defects are located to the rear of the property (where the subsidence occurred) and were at a different depth to the material under the living room subfloor. And water from the leak would need to travel outwards and upwards to reach the living room subfloor. They said there was no evidence of drainage defects near to the front-left hand side of the property, which was where the sulphate attack occurred.

Lloyds Bank has also made the point that the only drains on the left-hand side of the property are a pair of rainwater pipes which discharge at ground level, and then run away from the property over a hard surface, which prevents water from going into the ground. Finally, Lloyds Bank said that sulphate attack builds up slowly over decades, and in the absence of a damp proofing layer, this meant the moisture in the earth was the trigger for the sulphate attack, rather than the drainage defects identified in 2021.

So, it seems the defective drains were to the rear of the property and it's unlikely the water from these drains could have reached the living room floor. And although there were two rainwater pipes near to the area of damage, these discharged onto a hard surface rather than into the ground. Though in any case, the policy excludes damage caused by escape of water from rainwater downpipes.

So, on balance, I think it was reasonable for Lloyds Bank to say the sulphate attack wasn't caused by an escape of water.

Heave

I have also considered whether there was heave, as this is an insured event under the policy. As I note Mr and Mrs B's structural engineer described the damage to the concrete floor as heave.

The policy defines heave as:

‘Expansion of the ground beneath the buildings’

I think what happened could be described as heave. As I understand it, when sulphates react with concrete, it creates a greater volume than the initial products. That expanding force then causes the concrete to move upwards, thereby causing cracking. So, it seems the ground beneath the buildings did expand, and so there was heave.

Lloyds Bank has acknowledged to this service that the heave peril could apply. However, it thinks the below exclusion connected to the heave cover would apply here. Under the ‘what we don’t cover’ in this section, the policy says:

‘Damage:

...’

- To, or resulting from, the movement of solid floors unless the foundations beneath the external walls of your home are damaged at the same time by the same cause.’*

I agree with Lloyds Bank on this. The damage was to the concrete floor in the living room, and the internal walls that were built off the concrete slab. There was no damage to the external walls of the property due to the sulphate attack.

So, I’m satisfied that it was reasonable for Lloyds Bank to say there was no cover under the policy for the damage caused by the sulphate attack, or under the policy cover for heave.

Carpet

When Lloyds Bank was investigating the matter, it had to cut Mr and Mrs B’s carpet. It offered to replace this and asked Mr and Mrs B for quotes. I understand Mr and Mrs B have provided a quote to Lloyds Bank. It seems Lloyds Bank is under the impression this has now been settled, but Mr and Mrs B told our investigator this payment was still outstanding. I would suggest Mr and Mrs B contact Lloyds Bank directly about this so the payment can be arranged.

My final decision

My final decision is that I partly uphold this complaint. I require Lloyds Bank General Insurance Limited to pay Mr and Mrs B £300 compensation.

Lloyds Bank must pay the compensation within 28 days of the date on which we tell it Mr and Mrs B accept my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs B to accept or reject my decision before 25 April 2025.

Chantelle Hurn-Ryan
Ombudsman