

## The complaint

Ms C complains about how AXA Versicherung Aktiengesellschaft (AXA) handled and settled a claim she made following damage to three rugs which she had placed in storage.

## What happened

In November 2000 Ms C arranged to store the contents of her home within a warehouse, which was provided by a company that I'll refer to here as "A". Ms C's property was stored by A until August 2023 when the consignment was delivered to her new address.

On unpacking the consignment Ms C noted that a number of items which she'd stored with A had been damaged or lost. These items included three pre 1914 Navajo woven textile rugs, which are the subject of this complaint. AXA said these rugs had been rolled or folded and stored in boxes, which had then been stored with sealed wooden storage provided by A.

Ms C stated these rugs were unique and irreplaceable family heirlooms, which were undamaged at the time of storage in 2000. However, she stated moth damage was observed when the rugs were unpacked in 2023.

Ms C reported a claim to A who passed it on AXA which is the lead underwriter of its remover's block insurance policy under which the consignment was insured.

AXA assessed Ms C's claim for the damaged rugs and declined it. While it accepted that the rugs had sustained damage by moths while they were in storage with A, it stated this damage hadn't been caused by an external source. And it explained that it, in repudiating the claim, it had relied on a policy term that excluded *"loss or damage caused by moth, insect or vermin unless from an external cause"*.

AXA informed Ms C that it considered it likely that the issue with moths had originated from within the consignment as the rugs had been stored within a self-contained wooden storage container. It stated that the likelihood of moths finding their way into the unit was remote.

AXA also informed Ms C that no other items within the consignment had suffered moth related damage, there were no signs of moth or other insect activity anywhere else in the warehouse and there'd been no claims made for moth or insect damage from other customers.

Ms C disagreed with AXA's repudiation decision and complained that its decision was unfair. She asserted that the moth infestation had occurred from an external source which should be covered. However, when AXA investigated Ms C's complaint it didn't uphold it. It maintained its decision to decline her claim was fair and said it hadn't made an error in its assessment of the claim.

Being dissatisfied with AXA's response to her complaint, Ms C referred it to our service. Our investigator looked into what had happened and recommended upholding this complaint. They weren't persuaded that AXA had demonstrated that the moths had been carried in with the consignment in 2000. And they thought it hadn't acted fairly in declining to cover Ms C's

claim. To resolve the complaint, our investigator thought AXA should reconsider Ms C's claim without referring to the exclusion clause it had relied on. They also thought AXA should pay £150 in compensation to reflect the trouble and upset Ms C had been caused.

Ms C accepted our investigator's view of this complaint. But AXA disagreed and asked an ombudsman to review this complaint.

### **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.

I'm sorry to hear about the difficulties Ms C experienced here. I know she feels very strongly about this matter and I appreciate the reasons she brought her complaint to our service. She told our investigator that the damaged rugs were of significant sentimental value. But while I sympathise with Ms C, the issue that I must determine is whether AXA made a mistake, or treated her unfairly, in declining this claim such that it needs to now put things right.

This service is an informal dispute resolution service. When considering what's fair and reasonable, I'm required to take into account a number of matters, which include relevant law and regulations, regulators' rules, guidance and standards, codes of practice, the terms and conditions of any insurance policy and, where appropriate, what I consider to have been good industry practice at the relevant time. I'm not limited to the position a court might reach.

I've read and considered all the information provided by Ms C and AXA, but I'll concentrate my decision on what I think is relevant to decide the complaint. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is the right outcome.

Insurers must deal with claims promptly, fairly and must not unreasonably decline a claim – as set out in the Insurance Conduct of Business Sourcebook (ICOBS). I've considered this and the Consumer Duty together with other relevant rules and guidance when determining this complaint.

It's not in dispute that Mrs C's three Navajo rugs suffered moth damage while they were stored by A. It isn't known when that damage occurred during the 23 years the rugs were in storage. The issue here is whether the moths came from an external cause – if they didn't the policy excludes cover.

I can see that AXA has disputed that the clause it relied on within the policy to repudiate the claim is an exclusion clause. I've set this clause out in the background to this complaint, so I won't repeat it here. Our investigator interpreted this clause as an exclusion clause. And they assessed Ms C's complaint on the basis that AXA hadn't provided evidence that the moths had been carried in with the consignment in 2000. AXA asserts that our investigator erred in taking that approach. So, I've carefully considered whether the clause on which AXA relies can properly be regarded as an exclusion clause.

An exclusion clause is a specific part of an insurance policy that identifies risks or situations that aren't covered by the policy. Exclusion clauses define the boundaries of the coverage of a policy by stating where liability is restricted.

I've thought about the way in which the clause that AXA seeks to rely on is drafted. It's contained within the policy under a section, which is headed "*exclusions*". There are 13 clauses within this section including the clause AXA relies on here. All clauses refer to

circumstances in which liability under the policy is restricted or excluded. This all persuades me that the clause in question is an exclusion clause as our investigator identified.

Where an insurer seeks to rely on an exclusion clause it needs to demonstrate that the exclusion applies. Here, the evidential onus rests with AXA that moth damage Ms C's rugs sustained didn't emanate from an external cause. Put another way by our investigator, AXA would need to show the moths had been carried into the warehouse with the consignment because of the presence of moth eggs within the rugs.

I've carefully considered the available evidence when thinking about whether AXA has discharged its evidential burden.

AXA asserts that A was a member of the British Association of Removers. It suggested this organisation's Code of Practice meant that A had an obligation to take measures to mitigate the risk of pests or vermin. AXA submitted that A met this obligation by using moth traps such as pheromone traps.

I understand the point AXA is making here about the argument that A will have been under a duty to take measures to mitigate the risk of pests or vermin. But I agree with our investigator's view that simply using pheromone traps doesn't mean the measures taken were successful in preventing moth damage. And I'm persuaded by the evidence that Ms C presented to our service, which questions the effectiveness of the use of pheromone traps against moths.

AXA contended it was unlikely the moths could have come from an external cause due to the absence of signs of moths elsewhere. It explained that, having made enquiries with A, it was satisfied there'd been no claims made for moth damage since 2010 when it became the lead underwriter.

While I'm persuaded that if there'd been a claim made for moth damage it would have likely been reported to AXA, I also think that what it's said here must be treated with caution. I say this because it isn't known whether other customers have been storing textiles that would be prone to moth damage. And just because a claim hasn't been reported since 2010 doesn't mean there's been no occurrences of moth damage in any consignment A is storing. Customers often store items for a lengthy period and damage would only become evident, as happened here, when a consignment is delivered and unpacked by a consumer. AXA hasn't been able to provide evidence of whether there were any claims for moth damage made prior to 2010 by which point Ms C's rugs had already been in storage for 10 years.

AXA has stated the rugs had been stored within a self-contained wooden storage unit and the likelihood of moths infiltrating that unit were remote. However, here I'm more persuaded by Ms C's argument that the storage crates used had air gaps and weren't designed to be moth proof as a result. So, it would have been possible and feasible for moths to enter the crates if they'd infiltrated the consignment from within A.

AXA also argued that it was more likely the moths were already in the consignment when the rugs were stored in 2000. It asserted that there was no other moth damage within Ms C's consignment. And it stated the moth eggs were likely dormant and waiting for optimal conditions in which to hatch.

I've thought carefully about the argument AXA is making here but it hasn't presented compelling supportive evidence. There's no evidence the rugs were inspected and certified as moth egg free when they were placed in storage with A. AXA hasn't demonstrated that moth eggs were present in the rugs when they were placed in storage.

It's known that clothes moth larvae primarily feed on the protein keratin which is found in natural fibres such as wool, silk, fur and feathers. This explains why the moth damage was only found in the rugs Ms C was storing and not in other textiles that didn't contain such fibres.

Ms C has provided information about the regular cleaning regime she adopted to care for her heirloom rugs. And she's provided photographic images to our service, which depict egg casings together with mould damage on the exterior of the box in which the rugs had been stored. There's no evidence of egg casings elsewhere. And it would be unlikely that the only egg casings would have been found on the box exterior had the moths been brought into A because of eggs laid in the rugs, as AXA contends.

I'm sorry to disappoint AXA but it hasn't provided evidence that proves, on the balance of probabilities, that the moth eggs were already present in Ms C's rugs when they were initially stored with A in 2000. With that in mind, I'm not persuaded that AXA has acted fairly in relying on an exclusion clause in repudiating Ms C's claim.

### **Putting things right**

For the reasons set out above, I'm upholding Ms C's concerns about what happened.

To resolve this complaint AXA should reconsider Ms C's claim without reference to the exclusion clause relating to moth damage.

I can understand how upsetting and inconvenient it must have been to Ms C when AXA declined her claim. Our investigator recommended that AXA pay compensation to Ms C of £150 for the trouble and upset she experienced because her claim was declined. I'm satisfied this fairly reflects the inconvenience she was caused here. It's in line with our approach in similar scenarios. So, I won't be asking AXA to increase that amount. It should therefore pay that sum to Ms C in compensation to recognise the trouble and upset she experienced while her claim was not met.

### **My final decision**

My final decision is that I uphold this complaint. I require AXA Versicherung Aktiengesellschaft to:

- Reconsider Ms C's claim without reference to the exclusion clause relating to moth damage.
- Pay £150 compensation to recognise the trouble and upset Ms C experienced while her claim was not met.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 24 September 2025.

Julie Mitchell  
**Ombudsman**