

The complaint

Mr and Mrs M have complained about Lloyd's Insurance Company SA (Lloyd's) decision not to pursue the recovery of claim costs including the excess for a claim under their holiday home insurance policy.

Mr and Mrs M are being represented in their complaint. For ease I have referred to Mr and Mrs M in my decision.

All reference to the insurer Lloyd's in my decision includes its agents.

What happened

Mr and Mrs M made a claim for an escape of water (EOW) from a neighbouring property which caused damage to their holiday home.

Lloyd's settled their claim. Mr and Mrs M paid a £500 excess which they wanted Lloyd's to recover from the third party insurer (TPI).

Lloyds attempted to do this, but the TPI denied liability. Given the amount of the settlement claim, Lloyd's said it wouldn't pursue the matter with court proceedings and closed the claim.

Mr and Mrs M don't accept that Lloyd's has done enough and want it to pursue the TPI to recover the excess costs. They are unhappy that their premium went up at renewal as a result of the claim.

Lloyd's didn't uphold their complaint. One of our Investigators thought Lloyd's had acted reasonably.

Mr and Mrs M don't agree and want an ombudsman to decide.

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.

We don't decide liability. This is the role of the courts. But we can look at whether an insurer reached its decision reasonably and in line with the policy.

Mr and Mrs M's policy with Lloyd's has a very common term which I've seen in most – if not all – insurance policies. Lloyd's says when making a claim;

"3 Our rights

In the event of a claim We may:

(a) Enter into and inspect any building where loss or damage has occurred and take charge of any damaged Property. No Property may be abandoned to Us

(b) Take over and control any proceedings in Your name for our benefit to recover compensation from any source or defend proceedings against You."

This means that Lloyd's may make a decision as to how best settle a claim which Mr and Mrs M disagree with. But Lloyd's is entitled to do so under the policy. We don't disagree with this term in principle provided an insurer can show it treated its customer fairly when applying it.

Lloyd's notes show that it regularly chased the TPI to look to recover the claim costs and excess for Mr and Mrs M's claim. But the TPI denied liability. Their Loss Adjuster reported that the damage had occurred to the neighbour's property before they were the insurer for the TP. Despite making follow up enquiries with the TPI, they didn't respond and had closed their file.

Having knowledge of settling claims, an insurer can make a decision not to take legal action. There is a significant risk of increased costs for a claim when making this decision – and an insurer is entitled to decide whether the risk of such costs will outweigh the likelihood of success.

In this case, I cannot see that Lloyd's acted unreasonably. It is unfortunate that it wasn't able to recover costs from the TPI. But sometimes this does happen – and it outside the control of the insurer.

I understand Mr and Mrs M will be very disappointed with my decision and wanted a return of the premium excess paid under the claim. But I think Lloyd's dealt with the claim reasonably and in line with the policy. So I'm not asking it to do any more.

My final decision

My final decision is that I don't uphold this complaint.

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 30 May 2025.

Geraldine Newbold
Ombudsman