

The complaint

This complaint is about the handling of a claim made by Mr and Mrs B under their 'Leisure Home Insurance' policy with AMERICAN INTERNATIONAL GROUP UK LIMITED ("AIG").

Sadly, Mrs B passed away in January 2023 while the claim was still ongoing. The complaint is now being brought by Mr B on his own behalf and on behalf of Mrs B's estate.

What happened

Mr and Mrs B owned a static caravan insured under their policy with AIG. In July 2021, Mr and Mrs B discovered water damage to the caravan. It was found that there was a crack in the shower tray which was allowing water to penetrate the floor below the tray. I understand the shower tray was replaced in August 2021 but in October 2021, Mr B says they noticed mould in the hallway and kitchen area of the caravan and water damage to the floor and skirting boards. Mr and Mrs B made a claim to AIG for the damage.

AIG rejected the claim initially on the basis that the water damage was due to a lack of maintenance of the caravan. Mr and Mrs B brought a complaint to us about that in 2022. One of our Investigators considered that complaint and recommended that AIG reconsider the claim, as he did not think there was enough evidence that the damage was caused by a lack of maintenance. In November 2022, AIG agreed to reconsider the claim.

AIG arranged for an inspection of the caravan by a static caravan repair specialist, which took place in February 2023. Following this inspection AIG accepted the claim and made an offer of settlement of £5,190 (including VAT), which it says is how much the repairs would cost.

Mr B was not happy with the settlement offered and asked AIG to reconsider. Mr B says that AIG's specialist did not identify all the water damage in the caravan. Mr B says there was damage to the carpet and underlay in the lounge and hallway; the vinyl flooring in the kitchen and shower room; damage to the fitted units in the kitchen and lounge, and to the partition wall. Mr B says that the necessary parts for the units are no longer available so they could not be repaired. Mr B says the parts should be replaced and not repaired in any event as the policy was "*new for old*" cover.

Mr B also said that, as the caravan was uninhabitable, he was forced to replace it in mid-2023, at a cost of over £33,000. He says the caravan was insured as 'new for old' so AIG should pay for the replacement caravan, as well as the following:

- Site fees from (February 2022 – May 2023)
- Council Tax (February 2022 – May 2023)
- Water rates (February 2022 – May 2023)
- Caravan insurance (February 2022 – May 2023)
- Loss of personal use of the caravan (February 2022 – May 2023)
- Loss of earnings from the caravan (February 2022 – May 2023)
- Emotional distress to him and Mrs B including the fact that she was unable to enjoy the final months of her life in the caravan, a place she loved and found comfort in.

AIG said the fact the policy is 'new for old' for replacement items is not relevant because it can be repaired; and, in any case, the settlement included replacement flooring, end panels and plinths. AIG said there is no evidence that damage has occurred that was not identified and accounted for in the cash settlement offered. It also said the licence for the caravan ran out during this claim, so it had to be sold back to the site in any event. AIG also said there was no cover for loss of earnings.

AIG did not change its offer but acknowledged there had been delays in dealing with the claim and offered £150 for this. It also said that, as the repairs would not be taking place, because the caravan had been sold, it would not pay the VAT element of the offer, so the cash settlement would be £4,325.

As Mr B remained unhappy with the offer, he referred the complaint to us.

One of our Investigators looked into the matter. He did not recommend the complaint be upheld, as he was satisfied that AIG had provided sufficient evidence from a specialist about the damage caused by the escape of water and the cost to put things back to how it was prior to the damage.

The Investigator said the specialist had taken damp meter readings which showed some of the flooring Mr B says should have been replaced was within normal range and there was no independent evidence to contradict this. The Investigator also said that AIG's quote was for rebuilding units to match and so he was satisfied that the repairs proposed would restore the caravan to its pre-damage condition.

Mr B does not accept the Investigator's assessment. He has made a number of points in response. I have considered everything he has said and have summarised his main points below:

- There were inadequate and contradictory inspections which failed to assess critical structural and load-bearing components of the caravan.
- The quote excludes fixed furniture, despite his photos showing damage to those areas.
- AIG ignored industry norms for assessing water ingress and long-term deterioration.
- The moisture readings were superficial and no probe tests were done.
- He had run a dehumidifier for several weeks before the inspection, which likely lowered the surface moisture readings, so they are unreliable.
- The report says there was no damage to the flooring, which raises concerns; it is not impartial and is contrary to the findings of the Investigator in the previous complaint that said the flooring was soft underfoot.
- The quote is not to replace with original parts but to patch up parts, which is not what the policy provides.
- The caravan should have been written-off as irreparable.
- His request for compensation was misrepresented as a request for loss of rental income when he did not ask for this but for his out-of-pocket expenses, while he could not use the caravan.

Mr B provided a number of photographs of the damage, including photographs of the flooring beneath the carpet

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

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.

The starting point of my consideration into whether AIG has treated Mr B fairly, is the policy.

The policy provided cover for damage caused by escape of water. The policy also sets out how AIG will meet any valid claim. It says:

"We will decide whether to repair, cash settle or replace any item as new if available (or otherwise with the nearest equivalent) and We will have the option to do this by using one of Our suppliers. If We can offer a repair or a replacement but We agree to make a cash payment instead, this payment will be limited to the cost of repair or replacement to Us by Our preferred supplier. If the item cannot be repaired or replaced with a like replacement by using one of Our suppliers, We will pay for the full replacement cost."

The policy does therefore allow AIG to decide whether to carry out the repairs or replace items and to offer a cash settlement for the cost of such repairs.

Essentially, it is not for me to make a finding as to the extent of damage, or what the appropriate repair should be, but to consider the evidence provided. It is for Mr B as the claimant to establish his claim. This means it is for him to establish, on the balance of probabilities, that there is damage that should be covered under the policy.

I have therefore considered the evidence provided about the damage: the initial loss adjuster's report, the report and quote from the caravan repair specialist and Mr B's evidence.

AIG had the caravan inspected twice. The first surveyor's report said the flooring in the hallway felt soft underfoot, so thought it was water damaged. This was noted by the Investigator that dealt with the previous complaint.

AIG then got a repairer to inspect the damage, assess the repairs required and provide a quote. Mr B says this was not a truly independent report and it followed a " *cursory inspection*". However, there is no evidence as far as I am aware, to support this. The quote is from an independent specialist static caravan repairer. And I have not seen any reliable evidence that this was not assessed following a proper inspection, or that the repairer would have had any reason not to include any damage in the quote. The quote includes several photos of the affected areas as well as damp meter readings.

Mr B says the following items in the caravan were damaged: carpets, underlay & thermal insulation (lounge and hallway); vinyl flooring (bathroom and kitchen); fitted units (kitchen and lounge); partition wall between hallway and closest bedroom and original carpet fitted between partition walls and flooring.

The repairer said they would replace the floor covering in the lounge and bathroom but the rest of the flooring was not showing signs of damp; they would remove and remake end panels and plinths in the kitchen (which would require removal of the kitchen); remake the end panels and plinths on the fire unit in the lounge and replace the skirting in the lounge.

Mr B says any damp meter readings would have been unreliable, as he had used dehumidifiers, and probe tests should have been done in line with industry practice. The use of dehumidifiers will extract moisture from property and contents. So I agree this would likely

mean that the meter readings were lower than they would have been nearer the time of the leak. But that in itself does not mean that there was damage that needs to be repaired. Some areas of the caravan are likely to have dried out leaving no lasting damage.

The repairer inspected the caravan and I can see from the photos that they pulled back the carpet, so I have no reason to consider they did not carry out a proper inspection of the flooring. While I note what he has said, Mr B has not provided any reliable evidence that any other areas of flooring, not included in the quote, were damaged and needed replacing.

With regard to the damaged units, the repairer said they could remake the plinths, end panels and skirtings. Mr B says they must be replaced and has provided an email from the caravan manufacturer that says those units are no longer available. He therefore says the caravan should be replaced. I do not agree.

AIG has provided a quote from a specialist that says he can build the damaged parts of the units to match. From the photos provided, the units appear to be made of MDF. While they are required to fit precisely into the spaces, there is nothing else that would make them unique. Mr B suggests this would be a "*bodge*" but I am not persuaded that is the case. The specialist has said he could build them to match and there is no reliable evidence that this could not have been achieved and to a reasonable match.

Mr B also says there is damage to the partition wall and the flooring beneath it. I can see in some of the photos he has provided that there are water marks a couple of inches above the floor on what appears to be the partition wall.

The repairer sent by AIG has not said any work is required to the partition wall. Again, it may be that this has dried out satisfactorily. In the absence of any other expert evidence that work is required to the partition wall, I do not consider I can reasonably make any award for this.

I have considered everything Mr B has said but without any other expert report or quote for the repairs that Mr B says are necessary but not included in AIG's offer, I am not persuaded that its offer is unreasonable. As Mr B will not incur VAT, as the caravan has been sold, AIG is not required to pay the VAT element of the quote.

Given all of the above, I am also not persuaded the caravan was beyond repair or that it was uninhabitable as a result of the leak. I therefore do not consider that AIG is responsible for the replacement cost of the caravan, or any of the other losses Mr B has claimed for. Mr B did ask for loss of rental income in an email dated 25 February 2025 but there is no cover for loss of rental income and there is no evidence that he lost rental income as a result of anything AIG did wrong.

There were some delays in AIG's handling of this matter. following the resolution of the previous complaint. AIG has already offered the sum of £150 for this and I consider this to be reasonable.

My final decision

AMERICAN INTERNATIONAL GROUP UK LIMITED has already made an offer to pay £4,325, and £150 compensation, to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that AMERICAN INTERNATIONAL GROUP UK LIMITED should pay Mr B and the estate of Mrs B, the sum of £4,325 in settlement of the claim for the damage to the caravan and £150 compensation for the distress and inconvenience caused by its handling

of the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and the estate of Mrs B to accept or reject my decision before 7 July 2025.

Harriet McCarthy
Ombudsman