

The complaint

Ms P complained that Lloyds Bank General Insurance Limited (“Lloyds”) unfairly declined her claim for dry rot, under her home buildings insurance policy.

What happened

Ms P said she discovered dry rot in the void beneath the floor of her home in the autumn of 2021. She said she tried to resolve the problem by spraying chemicals and having work done to improve drainage. The problem persisted and she arranged for a contractor to carry out a permanent fix in the summer of 2024. In July Ms P contacted Lloyds to make a claim, which it declined. She didn’t think its reasoning was fair and complained to the business.

In its final complaint response Lloyds said its policy doesn’t cover damage that happens slowly over time. It said its policy also specifically excludes any damage caused by wet or dry rot. This is unless the rot is directly caused by an insured cause. The business said it had no evidence to suggest the dry rot was caused by an insured cause and maintained its decline decision.

Ms P didn’t think Lloyds had treated her fairly and she referred the matter to our service. One of our investigator’s looked into her complaint but didn’t uphold it. He said Ms P’s policy terms and conditions state that dry rot is excluded from cover. He didn’t think there was evidence that an insured cause had resulted in the rot occurring. So, he didn’t ask Lloyds to do anything more.

Ms P didn’t accept our investigator’s findings and asked for an ombudsman to consider the matter.

It has been passed to me 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.

Having done so I’m not upholding Ms P’s complaint. I’m sorry that she’s had to pay for her property to be treated for dry rot, and that this isn’t covered by her home insurance. This must be very distressing for her. But I’ll explain why I think my decision is fair.

It’s for the insured to show that they have suffered an insured loss. If they can, then generally speaking, the insurer should pay the claim. This is unless it can reasonably rely on a policy exclusion not to. I’ve thought carefully about what this means in Ms P’s case.

I’ve checked Ms P’s policy terms and conditions to see what exclusions apply. The terms under the heading “What this policy doesn’t cover” say:

“We won’t pay claims for damage caused by frost, wet or dry rot, mould or fungus. You might be covered if the wet or dry rot or mould is directly caused by something that’s covered by the policy.”

I can see that the policy terms also exclude damage that happens slowly over time.

Ms P has provided an invoice that shows her property was treated for dry rot. There's no dispute from either party over this point. But the terms are clear that dry rot is specifically excluded from cover, unless it was directly caused by something else covered by the policy.

I've read Ms P's testimony carefully to understand if there was an insured cause that could be the reason why the dry rot occurred. But I can't see that there was. Ms P said she spoke to several contractors, some of whom had done improvement works on her home, and some who had treated the rot. But she said none were able to give an answer as to why the problem had begun. Ms P said that she maintains her home to a good standard and so negligence on her part isn't the cause of this. I don't doubt what she says.

I can see from Lloyds's claim records, that it queried whether Ms P had suffered an internal leak or water ingress from another source. She said there was no evidence of this. I understand that a damp environment can potentially contribute to dry rot developing. If there was evidence of an insured cause, then I'd expect Lloyds to consider whether its policy did provide cover under the terms highlighted above. But from what I've read there was no evidence of an insured cause that had directly resulted in the dry rot developing.

In her response to our investigator's findings, Ms P said a builder had suggested that heavy rain, and a sodden garden, could have resulted in rainwater seeping into the void beneath her floor. I've thought carefully about what she's said. But I've seen no evidence to show that this had occurred. So, I can't reasonably conclude that this was the cause of the dry rot. Ms P makes it clear in her complaint submissions that there was no evidence of water ingress. So, based on what I've read there is no cover under her policy. This means Lloyds isn't required to make a payment to cover the costs she incurred in treating the dry rot.

Having considered all of this, although I'm very sorry to disappoint Ms P, I don't think Lloyds treated her unfairly when it relied on its policy terms to decline her claim for the reasons it gave. So, I can't reasonably ask it to do anymore.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 4 September 2025.

Mike Waldron
Ombudsman