

The complaint

Mr and Mrs M have complained that Admiral Insurance (Gibraltar) Limited unfairly declined a claim under their home insurance policy for damage caused by a water leak and accused them of fraud.

What happened

Mr and Mrs M took out a home insurance policy with Admiral for a house they'd just bought and were about to move into. The policy started on 26 April 2023.

Two days later Mr and Mrs M made a claim to Admiral. Mrs M said when visiting the property, she started to hear running water and found damage had been caused by a water leak from a pipe under the kitchen sink. Mr and Mrs M arranged for the leak to be fixed. They asked Admiral whether they could take up the flooring as water was trapped underneath it. The call handler said they could but they should take photos of the damage.

Admiral appointed a loss adjuster to investigate the claim. By the time the loss adjuster visited the property on 16 May 2023, all the kitchen cupboards and flooring had been stripped out and placed in the garden. The loss adjuster said he couldn't be sure the damage claimed for was caused by the recent water leak.

Admiral obtained a copy of the survey report Mr and Mrs M had received before buying the property. It said the kitchen had been flooded in the past which had caused the laminate flooring to become warped. The surveyor said it needed to be replaced. It also obtained evidence from an estate agent that Mr and Mrs M had negotiated a reduction in the sale price because the property needed a new kitchen including the floor in order to make the property "liveable".

Admiral thought Mr and Mrs M had knowingly claimed for damage that was in place before the policy was taken out in order to make a financial gain. It accused them of making a fraudulent claim and cancelled their policy.

Mr and Mrs M didn't think this was fair. They said they'd been informed by the estate agent that some damage had been caused by a previous one-off leak from a dishwasher. There were other reasons why they'd negotiated a reduction in the price of the house. Refurbishing the kitchen hadn't been their first priority on moving into the house.

Mr and Mrs M referred their complaint to this service. I issued a provisional decision explaining why I was minded to uphold the complaint. An extract from my provisional findings is set out below:

"Declining a claim for fraud is a serious matter with significant consequences for the policyholder. So when an insurer accuses a policyholder of fraud, this service expects that to be supported by strong evidence. If it isn't, then it's unlikely that we'll find the accusation was fairly and reasonably made. In such circumstances the insurer needs to show it was more likely than not that the policyholder was dishonestly attempting to gain something they weren't entitled to. I've considered the information Admiral relied on to make its decision to

decide whether this was reasonable based on the evidence. Having done so, I don't think Admiral did come to a fair conclusion. I say that because I don't think it has shown sufficient evidence of a dishonest intention on Mr and Mrs M's part.

When thinking about whether a consumer has been dishonest, I assess whether the relevant behaviour would be considered dishonest by the standards of an ordinary reasonable person – there's no requirement that the alleged fraudster themselves should realise that their conduct is, by that standard, dishonest.

It doesn't appear to be in dispute that there was a leak. Mr and Mrs M have provided an invoice from their plumber which refers to "Leak detected on kitchen main". The question I need to decide is whether Mr and Mrs M were dishonestly claiming for pre-existing damage.

Admiral expressed concern that the flooring and kitchen units had been stripped out before the loss adjuster visited which was over two weeks after the claim was made. As Mrs M had been given permission by Admiral to remove the flooring, I don't think it was reasonable to hold this against them. I assume the base units were removed to facilitate drying. Mrs M has explained that they were due to vacate their rented house and so needed to dry the insured property as soon as possible.

The flooring and kitchen units had been placed outside the property. I don't think the fact that they'd been taken out of the kitchen would have made it significantly more difficult for the loss adjuster to assess what was pre-existing damage as he had the home buyer's report and the estate agent's particulars which showed the condition of the kitchen before the water leak. Mr and Mrs M had also taken photos of the damage.

I can understand Admiral being concerned by the fact that Mr and Mrs M's home buyer's report revealed that there had been a previous water leak in the kitchen which had led to the laminate floor in the kitchen warping. The surveyor said it needed to be replaced. Mr and Mrs M haven't denied this but point out that this was mentioned in the section of the report headed "elements that require attention but are not serious or urgent". There was no suggestion in the report that the floor underneath the laminate was wet at that stage or that there was an ongoing leak.

Admiral also referred to an email from Mrs M to the estate agent when she was negotiating a lower price for the property. It was concerned that she had said:

"When you consider the amount of work required to just make [number of house] liveable, with a young family – new kitchen including floor, utility/toilet area requires complete refurb, carport/garage is unusable in current state, back fence is partially collapsed."

However this extract is the fourth paragraph of a detailed email referring to market conditions and other matters, building a case to support their counter-offer for the house. I can understand Mr and Mrs M making a case to the agent that the kitchen needed replacing. But this doesn't mean that they dishonestly intended to try to get Admiral to pay for it.

Lastly Admiral noted from the home buyer's report that there was already damp and mould present under the sink. That would indicate that damage had occurred over a period of time. There were also high moisture readings in the kitchen wall. This is clearly pre-existing damage but I haven't seen any evidence that Mr and Mrs M were claiming for that. When they made the claim, they just said their kitchen flooring and some kitchen units were damaged.

In summary Admiral had what were, in my view, justifiable concerns with the fact that some of the damage appears to have pre-dated the start of the policy. But having concerns about

a claim and considering this in light of any exclusions and conditions in the policy isn't the same as showing that it was fraudulent. I don't think Admiral has sufficiently shown that Mr and Mrs M acted dishonestly with the intent to deceive it into paying for something they weren't entitled to.

To put things right I intend to require Admiral to reinstate Mr and Mrs M's policy and remove the record of the cancellation and fraud from its own and any external databases. It should resume consideration of Mr and Mrs M's claim, ensuring that any damage caused by the most recent water leak and not pre-existing is considered. Further, if Mr and Mrs M found replacement cover which cost them more, Admiral should reimburse the amount of the increase. If Mr and Mrs M wish to keep the replacement cover in place, Admiral should cancel its reinstated policy and mark its records as having been cancelled by Mr and Mrs M. In that event Admiral will only have to pay the increased premium(s) up to the date Mr and Mrs M accept my final decision if they do so.

I can understand that the accusation of fraud and removal of cover caused Mr and Mrs M a lot of trouble and upset. I think Admiral should pay them £500 compensation for that."

Mr and Mrs M accepted my provisional decision. In summary Admiral made the following points in response:

- The kitchen was part of the reason the purchase price for the property had been reduced. Mr and Mrs M had also said it needed to be replaced to make the house "liveable". It thought that contradicted Mr and Mrs M's comments that refurbishing the kitchen hadn't been their top priority after buying the house.
- It had agreed that they could continue to strip out the flooring. It hadn't agreed that the kitchen could be completely stripped out and placed in the garden.
- It wasn't now possible for its loss adjuster to assess what damage had been caused by the leak.
- Mr and Mrs M had sent the loss adjuster a quotation for a full replacement kitchen costing over £20,000 and £1,128.75 for replacement flooring.
- The claim should be treated as fraudulent if I accept that the sale price had been reduced due to the state of the kitchen.

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 think it was unreasonable for Admiral to take Mr and Mrs M literally when they told the estate agent that the property wasn't liveable. That's because before they bought the property, their surveyor included the built-in kitchen as part of the property where "*no repair is currently needed*". He just thought the units were "*slightly dated*". The floors were included in the list of "*Elements that require attention but are not serious or urgent*". There were a number of other items which the surveyor thought required urgent attention. So I can understand why replacing the kitchen immediately after moving in wouldn't have been their main priority. In addition the estate agent said there "*various reasons to reducing the price*".

Mr and Mrs M were authorised to take up the rest of the damaged flooring in order to dry the property. The cupboard under the sink was damaged in order to access the area of the leak. In the first call Mr and Mrs M made to Admiral they explained that some of the kitchen cupboards were damaged. They told the loss adjuster that the floor continued under the units from wall to wall. So it is not surprising that they had to remove the base units in order to remove the flooring and dry the kitchen. Admiral agreed that they should have been given

clearer advice about the strip-out works. I don't think it's fair to hold this against them. I agree that it wouldn't have been necessary to remove the wall cupboards as well but I can't see that Admiral will have been prejudiced by that as there is no dispute that they were undamaged.

Admiral's loss adjuster reported that he'd spoken to Mr and Mrs M's plumber and been told that *"the damage seen behind the kitchen units was extensive and it had caused the kitchen units to become saturated"*. I think this together with the photos Admiral has of the kitchen and the damaged units and Mr and Mrs M's survey report should enable the loss adjuster to assess what damage had been caused by the leak.

Mr and Mrs M have told us they never expected Admiral to pay for a whole replacement kitchen as opposed to replacing the unit under the sink. They only uploaded onto the claim portal the quote they had because the loss adjuster asked them to. I don't think it's fair to hold this against them.

In conclusion I'm not persuaded that Admiral has shown it's more likely than not that Mr and Mrs M were dishonestly trying to gain something they weren't entitled to. So I remain of the view that Admiral hasn't treated Mr and Mrs M fairly by classing their behaviour as fraudulent.

Putting things right

To put things right I think Admiral should:

- reinstate Mr and Mrs M's policy, removing the record of both the fraud and cancellation from its own and industry databases;
- resume consideration of the claim in line with any remaining terms and conditions;
- reimburse them for any increased sum they paid for replacement cover due to the accusation of fraud and removal of cover; and
- pay Mr and Mrs M £500 compensation.

My final decision

For the reasons set out above, I uphold this complaint and require Admiral Insurance (Gibraltar) Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 9 July 2025.

Elizabeth Grant
Ombudsman