

The complaint

Ms S is complaining about the way Lloyds Bank General Insurance Limited ('Lloyds') has handled a claim she made on her building insurance policy and then subsequent issues that arose thereafter.

What happened

In February 2024 Ms S contacted Lloyds to report an issue with her ceiling and was looking to claim for the damage. Lloyds appointed a loss adjuster – who I shall refer to as D – to inspect the property. D concluded that there was water coming through the roof in Ms S's extension which he said was in a poor condition and needed replacing. But he said that the damage wasn't covered by the insurance policy.

Ms S arranged to have the roof sheets replaced at a cost of £1,000. But in November 2024 she contacted Lloyds again to say the ceiling in her kitchen had collapsed. She'd had an emergency plumber attend who said the issue was actually down to the waste pipe which had caused long-term water leakage. He also noticed a further issue with a hot water pipe. She advised Lloyds that this was what had caused the issues in February 2024 – not the roof – and she was out of pocket as a result of this.

Lloyds agreed to refund the amount Ms S paid to replace the roof sheets plus 8% simple interest. It also said it would pay her £850 in compensation. However, it said Ms S needed to provide proof of the cause of the damage to the ceiling and that it had been a long-standing issue before it would consider the claim. In the meantime, Ms S raised several other complaints, but in summary they were as follows:

- Her premium had increased by over £300 and Lloyds had recorded two claims on her record. She also said two of Lloyds' staff incorrectly advised her that it had no control over the premiums set as they were set by the broker.
- Lloyds' claim handler said she would send the offer it had made to her in writing, but she didn't do so.
- Lloyds said it would change the claim record in February 2024 from a storm claim (which is what it initially recorded it as) to an escape of water claim. She believes its act in doing this was underhand and would impact her more on future premiums.
- Lloyds didn't ask for the plumber's invoice at the outset, but instead said in the response to the complaint it wouldn't deal with the claim until she provided it.
- She'd incurred additional transport costs because her mother couldn't stay with her given the condition of the property. She said she and her mother were going to the hospital daily to visit her unwell father, but her journey was increased because she had to make an extra trip to pick her mother up. She said she wouldn't have had to do this, had her mother been able to stay with her.

Lloyds didn't uphold the rest of Ms S's complaint. It believed its claim and complaint handlers had tried to assist her. It didn't consider the house to be uninhabitable, so it didn't think the losses Ms S were claiming for were covered under the policy.

I issued a provisional decision upholding this complaint and I said the following:

"I should first set out that I acknowledge I've summarised Ms S's complaint in a lot less detail than she has presented it. Ms S has raised a number of reasons about why she's unhappy with the way Lloyds has handled this matter. I've not commented on each and every point she's raised. Instead I've focussed on what I consider to be the key points I need to think about. I don't mean any discourtesy about this, but it simply reflects the informal nature of this Service. I assure Ms S and Lloyds, however, that I have read and considered everything they've provided.

As I said, Ms S has raised several points she has asked this Service to consider. I shall consider them under the following complaint headings.

Settlement of the claim

Lloyds has seemingly accepted that D misdiagnosed the cause of the leak in February 2024 – i.e. it says it shouldn't have advised her to replace the roof. And I think that's fair. That said, I can understand why D diagnosed the issue as it did. Ms S initially reported the incident as a storm claim and it seems Ms S told D during the inspection that the damage would seemingly get worse during periods of rainfall. And it does seem the roof wasn't in a good condition at the time – Lloyds has shown it was covered in moss. However, at the same time, I would have expected D to have carried out a more detailed analysis and ascertained the true cause of the damage. And I think there was evidence to suggest it's unlikely the roof wasn't the dominant cause – especially given the water damage wasn't below the roof.

Ms S has said she wouldn't have had to pay to replace the roof sheets had D diagnosed the true cause of the damage. However, Lloyds has said it will refund what Ms S paid for this, so I don't need to comment on this further. I also think the £850 in compensation it has paid for this is line with what I would have awarded for this. So I think it's fair.

However, I don't think Lloyds has handled the subsequent issues fairly. I think it was fair for Lloyds to ask for evidence of what was actually causing the leak. But I can't see that it asked Ms S for this until it sent its final response letter. So I think the wording in this letter would have come as a surprise to Ms S. I think it should have asked for this proof at the start when Ms S first reported that her ceiling had collapsed. But, irrespective of this, Ms S provided the plumber report the day after Lloyds asked for this. Lloyds has said its asked for evidence that this had been ongoing for a long period of time but I don't think this was fair.

Ms S had accidental damage cover which covers a sudden and unexpected event. Ms S's ceiling collapsed which by its very nature is a sudden event. And there wasn't anything to show this wasn't unexpected. So I think it was clear that this was covered under this policy. But, further to this, Lloyds had already acknowledged it had misdiagnosed the issue and seemingly accepted that the issue in November 2024 was the same issue in February 2024. So it had already accepted that the issue had been long-standing.

Lloyds has set out that Ms S had said she didn't want to pursue the claim while the dispute relating to the annual premium was ongoing. I shall set out later why I think Lloyds treating the matter as two claims is unfair. But, I think it should have clarified with Ms S after the final response whether she wanted to continue with the claim. However, in reading the final responses it sent to her, Lloyds gave her the impression that it wasn't dealing with the claim as she hadn't provided sufficient information. And I think that's the primary reason the ceiling damage wasn't rectified when it should have.

Ultimately, I think Lloyds should have looked to rectify the issue as soon as Ms S reported the issue. However, I understand that the ceiling is still damaged – some 10 months later.

So it follows that I think Lloyds should rectify the damage to the ceiling. I understand Ms S has recently looked to get the repair work carried out herself. If she has, Lloyds should refund the amount she has paid, plus 8% simple interest. For the avoidance of doubt, I don't consider this to be a claim on the policy for the reasons I shall set out later. So I don't think it's fair for Lloyds to deduct an excess from any payment.

Ms S's financial losses

Ms S has provided a detailed spreadsheet setting out what she considers to be her financial losses arising from this. I've thought about whether Lloyds should refund these.

Plumbers invoice

The policy doesn't cover the damage to the pipes that caused the leaks. And these also haven't occurred because of Lloyds' misdiagnosis. So I don't think Lloyds is liable for the cost of fixing these. Ms S has said the cost was higher because she had to arrange for an emergency appointment. But I don't think the repair cost she paid was unreasonably high for the work that was needed. So I don't think I can reasonably say I've seen enough to conclude Ms S has paid more than she would always have had to pay to rectify these issues. So I don't think Lloyds needs to refund this cost.

Transport costs

Ms S has said, due to the damage to her home, her mother couldn't stay with her. Her father was seriously unwell in hospital, so she and her mother were visiting the hospital daily. But Ms S set out that, as her mother was unable to live with her, she incurred increased transport costs as she had to collect her mother from her own home.

Lloyds has set out that it didn't consider the property uninhabitable. So it doesn't think it was liable for this. And, while I accept, the property may not be considered uninhabitable under the policy terms, I need to think about whether Ms S considered it unsafe. Ms S's mother was elderly and Ms S explained that at the time she was worried the ceiling could collapse further. She explained that, owing to her mother's age, she'd use the toilet in the utility room – whereby she'd have to pass through the kitchen to access this. So she didn't consider the property safe for her mother at the time. And I'm persuaded by what Ms S has told us regarding this.

I naturally fully sympathise with the situation Ms S and her mother were in. And I have no doubt that this was a very upsetting time for them. However, I do have to take into account that Ms S was always going to have to incur costs in travelling to and from the hospital. I accept her costs might have been little bit higher than they would have been but for the damage to the ceiling. But I don't think it's possible to work out what the exact increased cost would be. So I don't think I can reasonably require Lloyds to refund the costs Ms S has set out. But I shall take this into consideration when assessing fair compensation at the end of this decision.

Annual premium

Ms S is unhappy with the amount her annual premium increased and also that Lloyds has reported two claims. I think some of her concerns are justified in this respect.

Ms S made it clear from the start in November 2024 that she wasn't making another claim, but she was reporting consequential damage arising from D's initial failure to diagnose the true cause of the staining to her ceiling. And I'm satisfied that, had the cause of the damage been fairly diagnosed in February 2024, the issues in November 2024 wouldn't have arisen.

So I don't think it was fair for Lloyds to have recorded a further claim on her record. It follows, therefore, that I think Lloyds should remove the November 2024 record from Ms S's record.

And, as I set out above, had Lloyds recognised this at the time, it could have avoided a lot of Ms S's additional distress and inconvenience and, potentially, have facilitated all the repairs to the property at the outset.

However, while I think it should remove the November 2024 claim, I think it's reasonable that Lloyds recategorised February 2024 claim as an escape of water. Ms S has suggested that this is underhand tactics by Lloyds. But I don't agree. Where it makes an error it should take reasonable steps to put things right. Ultimately, it incorrectly considered the claim to be damage arising from a storm, but it later transpired it was down to water escaping from pipes. The regulations allow Lloyds to correct errors on the database and it's reasonable that it did so in this case.

Given all this, I think Lloyds should recalculate the premium Ms S paid when the policy renewed in December 2024 with the November 2024 claim being removed and the February 2024 claim recategorised. And it should refund any difference in the premium – if applicable – plus 8% simple interest from the date she paid the premium.

Complaint handling

Ms S has raised several reasons why she's unhappy with the way Lloyds has handled her complaint and she's provided call recordings of the telephone calls she's had with Lloyds. I've listened to the call recordings Ms S has had with Lloyds, but I don't think the call handlers generally acted unreasonably. And I do think Lloyds genuinely looking to resolve her complaint.

I'm conscious that Lloyds immediately accepted responsibility for the misdiagnosis in February 2024 and made a swift offer to resolve the complaint. Ms S has said Lloyds said in a call it would send the offer in writing, which is true. However, Ms S did query this and said she didn't agree with it as a resolution. So the call handler didn't send the offer out in writing. While I can understand why she concluded as she did, I do think she could have clarified with Ms S whether she still wanted the offer sent out. That said, I don't think Ms S has lost out because of that as I've seen she had kept her own records of what was discussed, which was an accurate depiction of the offer being made. So she did know what the offer was.

But, other than that, I haven't seen anything to show Lloyds acted unreasonably from a customer service perspective when dealing with Ms S's complaint.

Compensation

For all the reasons I've set out above, Lloyds is required to pay Ms S compensation. I've also taken into consideration the really difficult circumstances Ms S and her family were experiencing at the time. While Lloyds was of course not responsible for this, it does mean the impact arising from its errors are more significant. And I think any compensation award must reflect that.

Ultimately, I've noted the following:

- *Owing to D misdiagnosing the cause of the damage to the ceiling, Ms S's ceiling collapsed.*
- *I'm satisfied that it's most likely Ms S suffered increased transportation costs owing to her considering it unsafe for her mother to live with her.*

- Ms S continued to live with a damaged ceiling for around 10 months. And, for the reasons I set out above, I think Lloyds could have done more to assist her with this.
- Lloyds has unfairly recorded two claims on Ms S's record.

Lloyds has already said it would pay Ms S £850 in compensation and refund what Ms S paid to replace her roof. I think it acted fairly in saying it would refund the £1,000 Ms S paid for her roof sheets. But I don't think that's a fair reflection of the distress and inconvenience Ms S has suffered – especially when considering her personal circumstances Ms S was experiencing at the time. And I think £1,500 is fairer compensation.”

Ms S didn't accept my provisional decision and raised the following:

- She reiterated that Lloyds had said it would only cover the damage to the ceiling if she made another claim. And she said this was the only reason why she said she wouldn't pursue a claim for the ceiling at that time.
- She thinks it's unfair Lloyds changed the claim categorisation to “escape of water” as that caused her premium to increase by around £800. She still thinks Lloyds' actions were underhand.
- The fact her ceiling remained unrepaired for 10 months meant her kitchen was exceptionally cold, which increased her heating costs. As a result she said she couldn't allow her cat to sleep in the kitchen and allowed her to sleep on the carpeted kitchen. But this act has ruined the carpet. And she provided copies of her invoices showing the work she'd had carried out to the ceiling. She wanted Lloyds to cover her increased heating costs and to also pay to professionally clean her carpet.
- She didn't agree Lloyds wasn't required to cover her plumber's invoice. She said it was an unexpected event and should be covered under her policy. And she said she wouldn't have had to pay for this had Lloyds diagnosed the problem at the start. She also said it's not fair for Lloyds to change the claim categorisation to “escape of water” but not cover the cause of the escape of water.
- She didn't agree it wasn't possible to calculate her transport costs as she said she'd provided a spreadsheet detailing what she considered to be her costs.
- She didn't agree Lloyds' customer service wasn't generally unreasonable. And she said the following:
 - Lloyds' complaint handler regularly contacted her at 5pm despite knowing her father was extremely unwell. She said she'd asked Lloyds several times not to do so.
 - Lloyds didn't look to handle her claim and complaint in a timely manner, despite being aware that her policy was up for renewal.
 - She said she repeatedly had to take her laptop to the hospital because she recorded her calls and on more than one occasion had to sit on her father's bathroom floor whilst he was end of life and so poorly.
 - She maintained it was essential for the complaint handler to put the compensation offer in writing. She said she shouldn't have had to listen to her call recording to know what the compensation offer was.
 - She agreed with most of the reasons why I awarded compensation, but didn't agree that £1,500 was fair compensation. She said this only covered her petrol costs.
 - She said she wanted a personal apology from Lloyds' complaint handler.

Lloyds largely agreed with my provisional decision, but didn't think it was fair for it to have to pay the damage on an ex-gratia basis – i.e. without charging an excess.

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've come to the same conclusion as I did in my provisional decision and I'll now explain why.

Ms S's financial losses

As I said in my provisional decision I accept that Ms S will have incurred an increase in costs as a result of the damage to the ceiling. But I remain of the opinion it's not possible to fairly conclude precisely what that loss is. I have considered Ms S's calculations of her losses, but I don't agree that's a fair reflection. As I said previously, Ms S was always going to have to incur some travel expenses to travel to and from the hospital because of the difficult situation she was in. And I think a lot of the costs she has included within this are costs she always would have incurred. Ms S has said her increased costs were around £1,400. But I don't agree that's a fair reflection of the increased costs and I believe they would be significantly less than that.

Similarly, I've considered Ms S's comments that her heating costs would have been higher. And she's said she could provide her energy bills to support this. I do not dispute there was damage to the ceiling which she's had to pay to rectify. But it's been widely publicised that heating costs in general have increased significantly over the last two years. And I think it's most likely this was the primary cause for her increased costs. I don't think comparing year on year costs would give an accurate depiction of cost increases arising from the ceiling damage weighed against general heating bill increases that always would have been incurred.

So, for this reason, I remain of the opinion that incorporating indirect financial losses in a global compensation figure is still the fairest way to compensate Ms S for this.

Damage to the carpet

Ms S is saying that her carpet was damaged as a consequence of the ceiling damage due to her cat not being able to sleep on the hard floor in the kitchen, but on the carpeted floor. The loss isn't a direct loss arising from the delay in repairing the ceiling, but Ms S is effectively saying it's indirectly linked to it. Based on what Ms S has said, it's arguable this is fair. But it doesn't follow Lloyds is automatically liable for this. In considering this, I have to think about the following:

1. Was the loss reasonably foreseeable; and
2. Did Ms S take steps to mitigate her losses?

While I can understand Ms S's comments, I don't think I can fairly say it's reasonably foreseeable that a carpet in a different room would become damaged by her cat as a result of the damage to the ceiling. And it was for Ms S to take reasonable steps to mitigate against this loss. So I can't reasonably require Lloyds to pay to clean her carpet.

Claim settlement

Ms S acknowledged that the plumber's invoice wasn't an inflated cost. But she said it was a sudden and unexpected event. So she said the policy should have covered this. However, no insurance policy covers each and every eventuality. And, like all similar policies, Ms S's policy excludes accidental damage cover where the damage "*arising from causes that happen gradually over time including deterioration, wear and tear, corrosion, rot or similar causes.*" Ms S's plumber has said in his invoice that the leak was down the failure of a rubber adapter in the soil pipe. I think this will have failed due to gradual deterioration, so isn't covered under the terms of the policy. So this loss isn't covered under the terms of the policy.

I note Ms S still maintains that changing the claim categorisation to escape of water was underhand. But I don't agree. As I said in my provisional decision, insurers are entitled to correct incorrect information on databases. Ultimately, the original claim was subsequently shown to be arising from an escape of water rather than a storm as initially set out. Lloyds was entitled to correct this. So it didn't act unreasonably in recategorising the claim.

I've also considered Lloyds' comments that, while it accepts it mis-diagnosed the initial escape of water, a new leak did occur from the hot water pipe. So it doesn't think it's fair it should deal with the claim on an ex-gratia basis – i.e. not charge an excess. I can understand why it's said as such and its comments aren't without merit. But, the new leak didn't cause the ceiling collapse – the original leak did. And I still don't think this damage would have happened had the cause been diagnosed correctly at the start. And it's equally plausible that the secondary leak wouldn't have resulted in a claim if it could have been fixed quickly. So I still don't think Lloyds should fairly require Ms S to pay an excess as part of the rectification costs.

Customer Service

I acknowledge Ms S's comments surrounding why she thinks Lloyds provided a poor customer service. But she hasn't raised anything she hasn't raised before. Ultimately I'm satisfied the call handlers largely acted fairly and reasonably on the telephone. There will always be some upset from raising a complaint. And I agree that Lloyds could have minimised this impact for all the reasons I set out in my provisional decision.

That said, I don't think Lloyds did unreasonably delay the complaint. The Financial Conduct Authority allows financial businesses up to eight weeks to resolve a complaint. Lloyds did respond to her within this time. I recognise she wanted it to prioritise the complaint. But I don't think it was unreasonable it responded within the timeframes it did. I agree there was some confusion within the complaint handling – in particular who calculates the premium. But, ultimately Lloyds did respond within the requisite timescales.

However, for the reasons I set out in my provisional decision, it's right Lloyds compensates Ms S. That said, I'm also conscious Ms S has had a new roof paid for by Lloyds – which she wouldn't have otherwise. And I think this in addition to £1,500 in compensation is still a fair and reasonable way to put things right. So I'm not requiring it to pay further than this in terms of compensation.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require Lloyds Bank General Insurance Limited to do the following to put things right:

1. Arrange to rectify the damage to the ceiling. I understand Ms S has recently looked to get the repair work carried out herself. If she has, Lloyds should refund the amount she has paid to fix the ceiling – subject to her providing proof of the works being carried out – plus 8% simple interest from when she paid it until she gets it back*. For the avoidance of doubt, I don't consider this to be a claim on the policy, so I don't think it's fair for Lloyds to deduct an excess from any payment.
2. Remove the November 2024 claim record and recategorise the February 2024 claim as an escape of water claim. It should then recalculate the premium Ms S paid when the policy renewed in December 2024 taking this into account. And it should refund any difference in the premium – if applicable – plus 8% simple interest from when she paid it until she gets it back*.
3. Refund the £1,000 Ms S paid to replace her roof sheets*

4. Pay Ms S £1,500 in compensation.

* If Lloyds thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms S how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 14 November 2025.

Guy Mitchell

Ombudsman