

The complaint

Mr and Mrs R complain that Society of Lloyd's (SOL) have declined a claim on their new build warranty.

What happened

Mr and Mrs R took out a warranty when they had a house built in 2015. In early-2023, Mr and Mrs R noticed mortar was beginning to disintegrate and crumble. Mr and Mrs R raised a claim with SOL. SOL declined the claim as they said the defect didn't meet the policy terms and conditions. Mr and Mrs R were unhappy so raised a complaint with SOL. SOL didn't change their outcome. Mr and Mrs R were still unhappy so brought the complaint to this service.

Our investigator didn't uphold the complaint. They didn't think SOL had incorrectly declined the claim as they agreed they didn't think the policy terms and conditions had been met. Mr and Mrs R appealed. They felt the policy terms had been met as there had been major damage to their property. As no agreement could be reached, the complaint has been passed to me to make a final decision.

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.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly, and not unreasonably decline it. So, I've thought about whether SOL acted in line with these requirements when it declined to settle Mr and Mrs R's claim.

At the outset I acknowledge that I've summarised their complaint in far less detail than Mr and Mrs R have, and in my own words. I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. The rules that govern the Financial Ombudsman Service allow me to do this as it's an informal dispute resolution service. If there's something I've not mentioned, it isn't because I've overlooked it. I'm satisfied I don't need to comment on every individual point to be able to reach an outcome in line with my statutory remit.

As a starting point, it's important to understand what the policy terms and conditions say. They set out the following:

*“The **Insurer** will indemnify the **Insured** against all claims discovered and notified to the **insurer** during the **period of Insurance** in respect of:*

1. *The cost of complete or partial rebuilding or rectifying work to the **Housing Unit** which has been affected by **Major Damage** provided always that the liability of the **Insurer** does not exceed the reasonable cost of rebuilding each **Housing Unit** to its*

original specification;

2. *The cost of making good any defect in the design, material or workmanship in the drainage system which was newly constructed by the **Builder** in connection with the **Housing Unit** and for which the **Insured** is responsible;*
3. *The necessary and reasonable costs incurred in repairing, replacing or rectifying any part of the **Waterproof Envelope** with the **Housing Unit** as a result of ingress of water caused by a defect in the design, workmanship, material or components or the waterproofing elements of the **Housing Unit**”*

Major damage is defined in the policy as:

“Any defect, fault or failure in the design, workmanship, materials or components of the:

Structure;

Or

*Waterproofing component of the **Waterproof Envelope;***

Or

*The drainage system within the perimeter of such property, serving the Housing Unit and for which the **Insured** is responsible;*

*Causing destruction of or physical damage to the **Housing Unit** for which **Technical Audit Approval** has been given by the **Technical Audit Surveyor** or **Certificate of Insurance** has been issued by the **Scheme Administrator** whichever is the sooner,*

And/or

*Causing a condition requiring immediate remedial action to prevent actual destruction or physical damage to the **Housing Unit***

*For the purpose of this **Policy** the definition of **Major Damage** is deemed to include any physical loss, destruction or damage caused by contamination or pollution as a direct consequence of a fault or failure in the design, workmanship or material of the **Structure** of the **Housing Unit**.”*

It's not under dispute that there is a defect to the mortar. However, for a claim to be successful, it would either need to constitute being “major damage” or there would need to be ingress of water as a result.

Mr and Mrs R had a surveyor complete a report on their property. The report advised the following:

“Defective pointing is an insured risk under the terms of your policy, but the policy will only activate on consequential loss through resultant water penetration.”

Although this was not the case at the time of my inspection, I am of the opinion that progressive deterioration will result in water penetration into the cavities, with damage to the cavity wall insulation and damp on the inner cavity leaf.”

This confirms there hasn't been any water ingress and so there would need to be “major damage”. For “major damage” to have occurred, there would need to either have been

“destruction of or physical damage to the housing unit” or the defect “causing a condition requiring immediate remedial action to prevent actual destruction or physical damage to the housing unit.”

I don't think the weak mortar would constitute property damage. There is also no indication that the property is close to having water ingress, so I don't think it can be deemed the property needs immediate remedial action to prevent physical damage. I don't think the issue would constitute major damage, so the policy terms haven't been met. This is in line with their surveyor's report.

I sympathise with Mr and Mrs R, as when you buy a new build property, you wouldn't expect to have an issue with the mortar. I'm very sorry that my decision doesn't bring Mr and Mrs R more welcome news at what I can see is a difficult time for them. But in all the circumstances I don't find that SOL has treated Mr and Mrs R unfairly, unreasonably, or contrary to the policy terms and conditions in declining Mr and Mrs R's claim.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint. I don't require Society of Lloyd's to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 10 October 2025.

Anthony Mullins
Ombudsman