

The complaint

Mr and Mrs I complain that Liverpool Victoria Insurance Company Limited (LV) declined their home insurance claim

LV is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As LV has accepted it is accountable for the actions of the agents, in my decision, any reference to LV includes the actions of the agents.

What happened

In 2022, Mr and Mrs I made a claim under their home insurance policy with LV after cracks developed where their two-storey extension and the single-storey extension joined. A crack in the floor tiles had widened, several other floor tiles had begun to crack and lift, and there were cracks in the plasterwork around the front door.

LV appointed loss adjusters (S) and a surveyor was sent over to review the damage. He concluded that the damage was due to gradually occurring thermal expansion and contraction of the fabric of the building. Mr and Mrs I were told the damage wasn't covered by their policy as it wasn't caused by an insured peril.

In 2024, Mr and Mrs I instructed a structural engineer to assess the damage because they were concerned about further cracking. The engineer thought the damage was likely to have been caused by ground movement or subsidence.

Mr and Mrs I shared the engineer's report with LV, who agreed to carry out further investigations. It appointed another loss adjuster (G), who arranged a site visit. G's surveyor installed crack monitoring before carrying out some further investigations to try to determine the cause of the damage. Two trial pits and boreholes were excavated at Mr and Mrs I's property, and a CCTV survey of the drains was undertaken. The surveyor said that external influencing factors had been ruled out. He concluded that the cause of the damage was most likely due to consolidation settlement of the floor slab on made ground, which wasn't covered by the policy. He also commented that damage to solid floors would be excluded from cover because there was no damage to the external walls of Mr and Mrs I's home at the same time by the same cause. So, LV declined Mr and Mrs I's claim.

Mr and Mrs I provided a letter from their own structural engineer which disputed G's findings. However, LV maintained its decline of the claim. So, Mr and Mrs I raised a complaint.

LV said it had appointed its subsidence specialists, G to investigate the damage and they confirmed there was no evidence of subsidence. G had answered additional questions and agreed to provide Mr and Mrs I with CCTV footage. It said if Mr and Mrs I or their engineer wished to undertake additional investigations and monitoring, these would need to be arranged for and paid by Mr and Mrs I. Should subsidence then be found which included the main walls and foundation of their home, any reasonable costs would be considered for reimbursement by LV.

Mr and Mrs I remained unhappy and referred their complaint to the Financial Ombudsman Service.

Our investigator thought Mr and Mrs I's complaint should be upheld. She didn't think LV had done enough to establish the cause of the damage to their property. She recommended LV carry out further investigations, reimburse Mr and Mrs I's engineer's costs and pay them £500 for distress and inconvenience.

LV disagreed with our investigator's outcome. It said, while G advised the damage was caused by settlement, it didn't feel they were discounting subsidence, just advising that this would be excluded under the policy wording unless there was damage to the foundations, which was not evident. It said it would not monitor due to the policy exclusion. It would be up to Mr and Mrs I to investigate and if any sign of subsidence was detected they would need to provide this for LV to act further on the claim. So, the complaint 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've decided to uphold Mr and Mrs I's complaint. I'll explain why.

I thought it would be helpful to provide some clarity about the Financial Ombudsman Service's role and the scope of the complaint that I'm deciding. Our role is to resolve disputes between complainants and financial businesses, to help both parties move on. It isn't our role to handle a claim or to deal with matters as they arise.

In this decision, I've considered matters complained of up until LV's final response letter of 1 May 2025.

Claim decline

The relevant industry rules require insurers to handle claims promptly and fairly. They should provide reasonable guidance to help a policyholder make a claim and provide appropriate information on its progress. They should not unreasonably reject a claim.

Mr and Mrs I say the damage to their property was caused by subsidence which is one of the events covered by the policy. They've provided the opinion of a structural engineer to support this. However, LV says the damage was most likely caused by settlement which isn't covered by the policy.

"Subsidence" is defined in the policy's terms and conditions as "Downward movement of the ground beneath the buildings that is not a result of settlement."

"Settlement" is defined as "Downward movement as a result of the soil being compressed by the weight of the buildings within 10 years of construction."

There are several policy exclusions to subsidence. The relevant ones here are:

"Caused by settlement" and "Arising from movement of solid floors unless the foundations beneath the exterior walls of your home are damaged by the same cause and at the same time."

If LV is able to show that one of these exclusions apply, then it would be fair for it to decline Mr and Mrs I's claim. So, I've thought carefully about whether or not LV has done enough to show that either of these exclusions apply.

LV says, while G advised the damage was caused by settlement, they haven't discounted subsidence. They just advised this would be excluded under the policy wording unless there is damage to the foundations, which is not evident because there is no subsidence cracking to walls. LV says it would not carry out crack monitoring due to the policy exclusion.

The structural engineer appointed by Mr and Mrs I says G's investigation was inadequate. He commented that G's CCTV investigation identified displaced joints immediately adjacent to the area affected by floor and wall defects, with displacement in the pipe joints described as medium and large. The engineer commented that such displacements and defects could give rise to potential leaks from the drain line that could soften soils and locally reduce soil bearing pressures. He suggested that a pressure test needed to be set up on the line that runs under the house if LV wished to demonstrate that the drains aren't leaking.

The site investigation report from January 2025, indicates medium joint displacement on two of the drainage runs and a large joint displacement under a run that goes under the house. G has commented that the medium joint displacements were away from the main area of damage and the only large displacement was evidenced in a redundant drain (run 4). However, on the report run 4 is showing as going from MH2 (manhole 2) to "unknown and in the comments, it says: *"unknown location, possibly redundant"*". While this suggests the run might be redundant, it doesn't look like it was confirmed to be redundant. I also haven't seen evidence that pressure testing was carried out. So, I'm not persuaded LV has done enough to establish whether or not there was a leak in the drainage system.

I understand G arranged for two trial holes to be excavated. One was excavated internally through the rear extension floor of the property and the other was adjacent to the front left-hand corner of the property on the front elevation. G also arranged for boreholes to be sunk through each of the trial holes. G found that the soil in the boreholes was slightly gravelly silty sand which was dry at the time of the inspection. They did not locate any roots.

Mr and Mrs I's engineer has commented that it would have been better to locate the second trial hole immediately adjacent to the external walls of the rear extension, rather than at the front of the property. He said a trial hole excavated to depth by hand to the rear wall may have encountered saturated soils from the leaking drain. A pathway for drainage leaks within the first trial hole could also have been investigated if the hole was excavated to the depth of the drain.

G said the trial pit at the front of the property was undertaken to establish the depth of the foundations to the original house and it would have been a good position for any required level monitoring. However, they haven't explained why a trial pit wasn't excavated adjacent to the external walls of the rear extension. So, I don't think LV has done enough to establish that there wasn't a leak which might have caused subsidence.

G said the concrete slab underneath the flooring did not have any mesh reinforcement included and the 40mm screed was far too thin and would be prone to cracking. However, Mr and Mrs I's engineer has commented that a bonded screed at 40mm thick is in line with building standards. From my own research, I think Mr and Mrs I's engineer is right about this.

G concluded that there was no significant cracking or movement to the exterior walls of the property indicative of subsidence movement. However, Mr and Mrs I's engineer has commented that G installed tell-tale crack monitors on the cracks evident to the external walls so they must agree that a defect in the existing walls does exist. The engineer suggested that if six to twelve months monitoring was carried out the relevant movement of the defects would have been known and ongoing movement established.

After G's surveyor carried out his initial visit, he advised Mr and Mrs I that although there were very slight cracks to the rear walls, there was no clear movement to the walls. He said he had installed crack monitoring studs to show any pattern in the movement and confirm the success of any mitigation measures should LV accept their claim. He also said that, subject to the results of the initial investigations, precise level monitoring might be necessary.

I understand no monitoring was done because G concluded that the damage wasn't covered under the policy. However, having considered the arguments from both parties, I think G was premature in reaching this conclusion.

I appreciate, G's surveyor was of the opinion that the damage was more likely to have been caused by settlement because of the timing of the cracking. However, Mr and Mrs I have provided information that shows the two extensions were added to the property in 2011 and 2015 respectively. Their surveyor's report from around the time they purchased the property in 2017 says there was no evidence of any significant structural movement and there was only one cracked tile in the hallway floor. Mr and Mrs I first made a subsidence claim in 2022, which was seven years after the most recent extension.

I note that the policy definition for settlement refers to it happening within 10 years of construction. However, I'm not persuaded from the evidence available to me that LV has shown that the damage was caused by settlement rather than subsidence. Nor have I seen sufficient evidence to conclude that the foundations beneath the exterior walls of Mr and Mrs I's home aren't damaged by subsidence. So, I think LV should arrange for further investigations to be carried out to establish if the damage to Mr and Mrs I's home is covered by the policy.

Surveyor's costs

When Mr and Mrs I first raised their claim in 2022, S concluded that the damage was due to thermal expansion which conflicts with what G and Mr and Mrs I's engineer have said. I've explained why I don't think G carried out a sufficient investigation. If LV had done more to establish the cause of the damage, I don't think Mr and Mrs I would have needed to instruct their own engineers. So, I think it would be fair for LV to reimburse their engineers costs and add interest at 8% simple per year from the date(s) they paid these costs until the date they are reimbursed.

Distress and inconvenience

At the time of LV's response to Mr and Mrs I's complaint it had been more than three years since they first tried to claim for damage to their property. I understand this has been a worrying and stressful time for them. They've also put a lot of time and effort into trying to engage with LV and its representatives.

Mr and Mrs I also raised concerns that LV failed to send them their policy terms and the CCTV footage they'd requested. Our investigator has sent them the policy terms, and I understand LV has since shared the CCTV footage. However, Mr and Mrs I were caused unnecessary frustration and inconvenience because this information wasn't shared with them sooner.

Given the above, I think it would be fair for LV to pay Mr and Mrs I the £500 our investigator recommended for distress and inconvenience.

Putting things right

LV should:

- Carry out further investigations to determine the cause of the damage to Mr and Mrs I's property, answer their engineer's queries and explain any findings to him as well as to Mr and Mrs I.
- If the cause of the damage is found to be caused by an event covered by the policy, LV should consider Mr and Mrs I's claim in line with the policy's terms and conditions.
- Reimburse Mr and Mrs I's engineer's cost upon evidence from Mr and Mrs I.
- Add interest to the above at 8% simple per year from the date(s) these costs were paid until the date the reimbursement is paid.
- Pay Mr and Mrs I £500 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold Mr and Mrs I's complaint and direct Liverpool Victoria Insurance Company Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I and Mr I to accept or reject my decision before 11 March 2026.

Anne Muscroft
Ombudsman