

## The complaint

Miss K is unhappy with AA Underwriting Insurance Company Limited's handling of her home insurance claim for an escape of water and its decision to cancel her policy prior to the end of the policy year, due to the undeclared extent of the flat roof at her home.

## What happened

The parties are familiar with the background to this complaint, so I don't intend to set it out in detail here. But in summary, Miss K had a leaking pipe under her concrete kitchen floor. It's not clear how long this had been leaking for, but there's extensive damage to various areas of Miss K's home, not all of which appear to have arisen directly as a result of the leak.

There's a dispute as to when Miss K could have known about the leak in the kitchen. AA thinks that the level of damage to other areas of the home means that she should have reported the loss to it much earlier than she did in January 2025.

AA has sent out two surveyors, whose opinion was that Miss K should have realised, and did realise, there was a problem in her home many months before. The surveyors gave a number of opinions as to what may be causing the damage. These included that it might be related to the extensive flat roof at the property, which Miss K had not declared at policy inception. They also said that there might be rising damp due to a failed damp course, a leaking skylight and a leak from the bathroom, amongst other things. But the second surveyor also noted there could be a problem under the floor in the kitchen, which was where the leaking hot water pipe had by then been located by Miss K's appointed trace and access experts.

AA has declined Miss K's claim relying on a clause in the policy excluding liability for gradually operating causes. It has also said that if Miss K had declared the extent of the flat roof at her home, it would never have offered her insurance. So, whilst it decided to deal with the claim, it cancelled her policy before it's expiry, leaving Miss K with 14 days to find a new policy – which I understand she then did.

Miss K says that whilst she was aware there were some problems with her home, and had been trying to solve these, she wasn't aware there was a leak under her kitchen floor. For a number of months, she'd had various tradespeople visit her home to attempt to locate the cause of the damp problems she'd been experiencing. The walls and ceilings showed signs of damp and the wooden floor adjacent to the kitchen had started to come up. Despite a number of investigations, including Miss K replacing the bath, as she thought this may be an issue, the cause of the damage hadn't been located. AA has said that Miss K told it her builder thought the house was a bit of a 'bodge', but nonetheless the various professionals had failed to find the leak in the kitchen. And I note AA's surveyors similarly had difficulty determining what may have been the problem.

Our investigator thought that AA had acted unfairly when cancelling Miss K's policy. But she didn't think that AA should have to pay for the damage claim, as she thought it had fairly applied the gradually operating cause exclusion under the policy.

Miss K agreed with some of the investigator's recommendations but disagreed that the policy shouldn't cover the damage from the leak. AA disagreed with the investigator's conclusion that it was unfair for it to have cancelled the policy, as well as her recommendation that it pay compensation for distress and inconvenience caused by its handling of the claim.

So, the matter came to me for a decision. In advance of this final decision, I issued a provisional decision in which I informed the parties that I intended to partially uphold Miss K's complaint. Amongst other things, I said that I intended to provide for AA to re-assess the claim for the leak under the kitchen floor, which I had found Miss K did not know about until she'd had a more recent trace and access survey done. But I didn't think AA had acted unfairly in relation to the policy cancellation.

AA confirmed that it accepted my decision. Miss K also accepted the decision but requested that I re-consider the compensation for distress and inconvenience that I'd awarded. She also said that she'd prefer that AA arranged for the remedial work to be carried out and provided me with a copy of an invoice for the drying out work that had already been done.

### **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 should like to thank the parties for their responses to my decision. I'm pleased that AA has agreed to the proposed redress from my provisional decision, and that Miss K is happy with the majority of what I've proposed.

I've considered Miss K's submissions with regard to compensation. But I appreciate that she will be disappointed to hear that I won't be providing for any increase in the compensation for distress and inconvenience from the £500 that I proposed. I have no doubt whatsoever that this has been a terrible experience for Miss K and her family. I was very sorry to hear about everything that they've been through. But it's important not to forget that it was not just AA that has contributed to the journey that she's been on. A number of other professionals have been engaged to try and sort out the problems in Miss K's home. And none of them located the leak in the kitchen any earlier either.

From what I've been told, there are quite a number of problems in Miss K's home which may well have contributed to the damp that she's experienced, and these appear to have masked the underlying problem with the leaking pipe in the kitchen. AA certainly need to take some responsibility for what's happened, as it had the opportunity in the later period to help Miss K out by providing trace and access cover, but it didn't. It then went on to unfairly decline her claim. Those failings led to the experience being worse for Miss K than it might otherwise have been. But a lot of the problems she's had have also been exacerbated by Miss K's other contractors, as well as the fact that there was a leak in the first place, which I can't hold AA responsible for. So, I still think £500 is an appropriate amount of compensation here for the part AA's actions have played.

AA will now have the opportunity to help Miss K out with putting matters right and it will be judged on how it goes about helping Miss K following this decision. I appreciate that Miss K would like AA to do the work to repair her home, rather than make a cash settlement. For the reasons I gave in my provisional decision though, I won't be making a direction for it to do that, although it may of course choose to do so. This is because of the other potential sources of damp in Miss K's home, and this Service's expectation that AA provide an effective and lasting repair. AA may not be able to do that if there are other things that need to be fixed, for which it is not responsible under the insurance policy.

But I would say here though, that given the experience Miss K has had to date, I do expect AA to treat her fairly going forward and do what it can to make the settlement process as easy as possible for her. That will necessarily include it considering the invoice for the drying costs that Miss K has sent me. I would ask that AA tries very hard to ensure that its settlement of this claim does not come back to us as a further complaint.

As the parties' submissions haven't changed the findings that I made in my provisional decision, I adopt them as my findings in this final decision.

In my provisional decision I said:

*'I'll deal with the complaint in two parts, the cancellation of the policy and the leak.'*

### **Policy cancellation**

*I've provisionally decided that AA hasn't acted unreasonably when cancelling the policy. Whilst evidence has been provided of the questions that will have been asked on the price comparison website which Miss K obtained her quote through, AA accepts that she didn't intentionally or indeed carelessly misrepresent the extent of her home's flat roof to it.*

*The policy was completed over the phone after a quote was obtained online. I've listened to the call, and Miss K confirmed that she was happy with everything that she'd completed online. She's since said that she can't remember being asked a question about the flat roof. AA has shown me that the price comparison website did have a section about the property's construction. But it has conceded that with the type of policy that she had, the statement of facts included with the policy schedule sent to Miss K did not repeat the answer to a question about flat roofs. So, it's not relying on Miss K having misrepresented the position to either cancel the policy or decline the claim.*

*What it has shown me though is that if Miss K had correctly filled in the price comparison site's section on flat roofs, it would never have offered her a policy. The extent of Miss K's flat roof exceeds AA's underwriting criteria. So, whilst the first surveyor did indicate to Miss K that this may be a problem for AA when considering her claim, it's not something that it has relied on to decline it.*

*Given AA is now aware of the extent of the flat roof, I don't consider it have acted unreasonably when relying on the terms of its policy to cancel Miss K's cover when it did. The policy provides that where the insurer has been provided with incorrect information, it may cancel the policy giving at least 7 days' notice. I'm satisfied here that whilst Miss K may not have intentionally, or even carelessly, misrepresented the extent of flat roof at her property, this information was still incorrectly entered into the price comparison website – this may have been as a result of that section of the website defaulting to a 0% flat roof answer, rather than requiring the customer to input it.*

*This isn't a complaint where I am considering the provisions of the Consumer Insurance (Disclosure and Representations) Act 2012 ('CIDRA'). That's because AA hasn't alleged here that Miss K was responsible for any misrepresentation or is looking to take any action that it would be entitled to under the provisions of that Act, such as voiding the policy or repudiating the claim. So, I don't need to decide whether this was a qualifying misrepresentation or not. The fact is that it has come to light during the claim that the extent of the flat roof at Miss K's home is significant, and once AA knew the property had such a roof, this fell outside of its underwriting acceptance criteria.*

*So, I've considered what's fair and reasonable in the specific circumstances of this*

complaint. Given the alleged concerns about the flat roof being partially responsible for some of the damage seen, I'm satisfied that it wasn't unreasonable for AA to cancel the policy here when it did. AA agreed to refund the remaining premium paid, although Miss K has said she never received this. This may be because the refund was credited to her insurance instalment account against any outstanding payments due from her. AA can let me know what happened with that refund in response to this decision, but this will likely be academic in any event given the provisional decision I've made below with regard to the claim. As I'm intending to require that AA reconsider the leak claim, the entire annual premium will in any event have been due where a successful claim has been made.

I was pleased to see that AA has said that it's not treating the cancellation of Miss K's policy as in any way her fault. I think that's fair. AA has said that it doesn't think that she needs to declare it to any insurer if asked. But to make this absolutely clear, I consider that AA should let Miss K have a letter confirming that the cancellation of the policy followed a change in underwriting acceptability and was not due to any fault on her part. It should also ensure that it has not recorded the cancellation on any internal or external database, such as the Claims and Underwriting Exchange ('CUE'), and if it has, then it should take steps to remove it.

### **The Leak**

I've provisionally decided that AA should pay for the costs of Miss K's trace and access report and for the work done to locate the leak. It will also need to cover the costs of reinstating those areas damaged locating the leak and any damage caused directly by the leak up to the relevant policy limits.

I've carefully reviewed the evidence the parties have provided, and I'm satisfied that prior to the trace and access expert's investigation, Miss K could not have known specifically about the leak from the hot water pipe under her concrete kitchen floor. I appreciate that the parties take opposing views on this, and I've taken into account the reports by each of AA's two surveyors and Miss K's trace and access contractor. Having done so, I'm more persuaded by Miss K's report that she couldn't have been aware of where the leak was coming from due to it being underground in the corner of the kitchen.

I've found that Miss K's house more likely than not has a number of issues that are not related to the leak in the kitchen. There's damp in the walls both up and downstairs and the ceilings are showing signs of damp too. AA's surveyors thought that this may be due to leaks from the flat roof, and this appears to have been a focus of the first surveyor's report at the time. But the second surveyor's report, done after the trace and access report was available, takes a slightly different stance. He indicates that there may be a leak in the kitchen, but he thought that not all the damage was likely to have related to that. And he said that Miss K would have known much earlier that there was a problem and should have informed her insurer about that.

But Miss K does not deny that she was aware that there was a problem with damp in her house. She'd had numerous professionals out over the previous few months, and their investigations had not uncovered the leak in the kitchen. The trace and access report indicated that a number of the damp issues appear to have arisen due to condensation, although I'm not convinced that all of this has been shown to have emanated from the leak in the kitchen.

In order for Miss K to make a successful claim under her home insurance policy, she will have needed to show that an insured peril had operated. None of the people that she had in to investigate the cause of the damp had found a cause that might have been covered by Miss K's insurance. So, I don't consider that she can fairly be criticised for not having made a claim earlier than she did. That said, the delay in finding the leak has without doubt led to

*the damage being worse than if it had been located earlier.*

*So, it's my finding that Miss K has shown that an insured peril has operated here, namely an escape of water from a pipe. AA has relied on the gradually operating clause in its policy. This provides that the policy does not insure the following:*

*'Loss or damage arising from gradually operating causes, including deterioration, wear and tear, corrosion, rot or similar causes.'*

*This Service's general approach to insurers relying on clauses excluding gradually operating causes, is that the customer must have reasonably been aware of the damage and not done anything about it. Here, Miss K has attempted, on numerous occasions, with the help of professionals, to locate the cause of damp in her home. AA's surveyors weren't able to identify exactly what was causing the damage and it was only when Miss K was recommended to get a trace and access survey done, that the cause of at least part of the damage was identified as a leaking pipe in the kitchen.*

*So, I'm satisfied that Miss K did take steps that would be reasonably expected of a consumer to prevent further damage occurring. She tried to mitigate the loss. I accept that she didn't inform AA about this until later in the day, although given no insured peril had been identified, she wouldn't have been able to prove that she had a valid claim before then in any event. Even when AA was informed, the damage was put down to numerous other potential problems with the home. But the operation of an insured peril was ultimately identified, which the other issues in the home had effectively masked.*

*Whilst the damage caused directly by the leak has clearly worsened over time, and I do think it's only reasonable that Miss K accepts some responsibility for that, as it was her contractors who failed to uncover the leak in the first place, that doesn't mean that AA's policy shouldn't respond to the claim at all. Just because the house has some other issues, doesn't mean AA's policy shouldn't react to a now identified insured peril. So, I don't consider it fair and reasonable for AA to have relied on the gradually operating causes exclusion to decline the claim.*

*That said, I also don't consider it would be fair and reasonable for me to say to AA that it should pay for all of the damage to Miss K's home. The leaking pipe will clearly have done some of the damage to the areas adjacent to where the leak was located. But there's damage to many other areas of the property that I'm not satisfied Miss K has shown were connected to this leak. And given the time they've been left, the damage has no doubt become significantly worse.*

*So, I intend to provide that AA should re-assess Miss K's claim without relying on the gradually operating causes exclusion. I have noted the extent of the uninsured damage to Miss K's home, which may make it difficult for AA to provide an effective and lasting repair if it is not to also undertake repair work for any uninsured losses. So, if AA chooses, I would not consider it unreasonable for it to assess and cash settle that damage which is clearly attributable to the leak in the kitchen, and to settle the claim in accordance with the rates that it could have had the work done for by its own contractors, as it didn't have the opportunity to mitigate the loss any earlier. In settling the claim, it should also reimburse Miss K for the cost of the trace and access work and any reinstatement required as a result of that, up to the policy limits.*

*Once AA has assessed the damage attributable to the leak, if Miss A remains unhappy with any offer of settlement, she may complain to AA about this. If she's still unhappy with the outcome of that complaint, then she may be able to bring a further complaint about it to this Service.*

*Miss K has said that this whole ordeal has been extremely upsetting. And I was very sorry to read about all that she and her family have had to endure. This cannot have been at all easy, particularly considering her family members' health conditions. But whilst I have found that AA have acted unreasonably in not accepting a proportion of this claim, the situation was made more difficult by Miss K's contractors' failure to identify the problem any earlier than they did.*

*But once the cause of the leak was determined, I do think that AA should have taken action to help Miss K and her family in their time of need. I've found that a straight rejection of the claim, relying on the gradually operating causes exclusion, was unfair and unreasonable. So, I intend to require that AA pay Miss K £500 compensation for the trouble and upset that this decision has caused her. I appreciate that Miss K may consider that the compensation award should be much greater than this. But given all the other factors at play in relation to this claim and that no one party was completely responsible, I consider this to be a fair sum in all the circumstances.'*

### **My final decision**

It's my final decision to uphold this complaint in part. I require that AA Underwriting Insurance Company Limited take the steps that I've set out above, which include that it must:

- reassess Miss K's claim under the remaining terms of the policy for the damage directly attributable to the leak in the kitchen, without relying on the gradually operating causes exclusion.
- reimburse Miss K for the costs of the trace and access work and any reinstatement required as a result of that, up to the policy limits.
- let Miss K have a letter confirming that the cancellation of the policy followed a change in underwriting acceptability and was not due to any fault on the part of Miss K. It should also ensure that it has not recorded the cancellation on any internal or external database, such as the Claims and Underwriting Exchange (CUE') and if it has, then it should take steps to remove it.
- Pay Miss K £500 compensation for the trouble and upset she's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 11 December 2025.

James Kennard  
**Ombudsman**