

The complaint

Mr and Mrs I complain about how Lloyds Bank General Insurance Limited (“Lloyds”) dealt with a claim they made on their home insurance policy.

Mr and Mrs I are joint policyholders but for ease I’ll refer to Mrs I since she has brought the complaint to this Service.

What happened

Mr and Mrs I had a home insurance policy with Lloyds that started in September 2023. Prior to this, since the insurance had been arranged by a broker, the property was insured with other insurance providers.

Mrs I noticed a crack in the side of the house in late December 2023 and reported it to Lloyds in early 2024.

Lloyds reviewed the claim but ultimately declined it. It said it didn’t think there was evidence of recent subsidence damage to the property. It further said that when Mrs I had taken out the policy in September 2023, she hadn’t disclosed or reported any damage. So it said the claim was declined for pre-inception damage and non-disclosure.

Mrs I complained to Lloyds about its decision to decline. Lloyds say the policy doesn’t cover damage that occurred over time. It says the evidence shows subsidence was visible in 2009 and 2019 and while Mrs I may not have been aware it was subsidence, she would have been aware of the damage to the property. Lloyds say since the event happened before the policy started it is specifically excluded from the policy. Lloyds accept there were some delays in progressing the claim and the service it provided so it offered £150 to apologise.

Mrs I didn’t agree with Lloyds response so referred her complaint to this service. One of our Investigators looked into things and concluded that Lloyds hadn’t acted fairly in its handling of the claim. She said she wasn’t able to see any distortion to the front of the garage in the images provided by Lloyds from 2009, 2014, and 2019 and so she didn’t think Lloyds had acted fairly in declining the claim by relying on the pre-inception exclusion. The investigator upheld the complaint and recommended Lloyds settle the claim for the external damage, assess the internal damage to the property and pay £300 for the distress and inconvenience caused.

Mrs I accepted the outcome. Lloyds didn’t. It said the evidence shows the damage predates the policy inception and so is excluded under the terms of the policy and that Mrs I didn’t disclose or report the damage at inception. Lloyds say there is evidence of temporary repairs to the damaged areas of the garage which shows Mrs I was aware of the damage earlier than she advised. Lloyds say historic images from a well-known online archive of photographs taken from the street show no gaps could be seen in 2009 but in 2019 the gap is visible and clearly shows evidence of subsidence, and this predates inception of the policy. As the matter wasn’t resolved, it has come 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 reached the same overall conclusions as the Investigator and I uphold this complaint.

I should explain that I won't be repeating the entirety of the complaint history here in my decision, or commenting on every point raised. Instead, I've focussed on what I consider to be the key points that I need to think about in order to reach a fair and reasonable conclusion. This reflects the informal nature of this Service, and our key function; to resolve disputes quickly, and with minimum formality. However I want to assure both parties I've read and considered everything provided.

When making an insurance claim it is for the insured, in this case Mrs I, to show she's suffered insured damage. If she can do so, then an insurer will generally accept the claim unless it can fairly rely on a valid exclusion to decline it.

Lloyds has considered the claim as a subsidence claim. Subsidence is defined as, "*Downward movement of the ground beneath the buildings other than by settlement*".

Lloyds acknowledges the damage was caused by subsidence, as confirmed by its surveyor's report. However, it declined the claim citing a policy exclusion; "*Your insurer won't pay for any loss or damage as a result of an event which happened before this policy started.*" Lloyds asserts the damage predated policy inception and therefore it declined the claim.

Mrs I took out home insurance with Lloyds in September 2023. She first noticed water coming into the garage in December 2023 and reported it to Lloyds in January 2024. Lloyds say the subsidence damage had begun earlier than 2023, at least by 2019. It points to online images of the property that it says shows no significant gap in 2009, and a clear gap in 2019. Lloyds say this confirms the damage was visible, severe, and ongoing, prior to inception of the policy.

Having carefully reviewed the images provided, I am not persuaded they demonstrate a gap or damage as Lloyds asserts. The 2009 and 2014 images do not show any clear or significant deterioration. While the 2019 image appears to show a faint line, this is a single photograph and does not allow for verification from different angles or perspectives. On its own, it is insufficient to establish a subsidence problem. And so, I do not consider this to be persuasive evidence supporting Lloyds' position.

Had Mrs I been aware that damage was subsidence – and chosen not to report the problem to her insurer – I'd likely agree it was fair for Lloyds to rely on the policy term to decline the claim. But I don't think she did.

Overall, I'm not satisfied Lloyds has shown the subsidence damage claimed for commenced prior to the policy. But even if I thought Lloyds had shown that, I'd also go on to consider whether it was fair for Lloyds to rely on that policy term to decline the claim.

Subsidence is rarely a sudden event whose beginning can be pinpointed to a moment in time, in the same way a storm or a fire usually can be. It's generally a gradual, longer time problem that policyholders only become aware of once damage reaches a significant enough level.

This can present a risk of detriment to policyholders where an insurer, or insurers, struggle to establish exactly when a subsidence problem began but nonetheless consider it's not responsible. Or if subsidence begins prior to them taking out a policy – but they only became aware of it later.

This kind of situation is part of the reason for the ABI Domestic Subsidence Agreement. It acknowledges that subsidence is usually gradual in nature, it can happen across more than one insurance policy, and policyholders are often unaware of it initially. The Agreement provides a practical and efficient way for insurers to deal with such a situation. In short, the Agreement says the current insurer will deal with the claim where the policy has been in place for at least eight weeks. Mrs I had the Lloyds policy for around three months when she noticed the damage and made a claim. Even if Lloyds considered the damage to be pre-inception it could have accepted the claim under the ABI agreement and then pursued the previous insurer for a contribution. Instead, the claim was unfairly declined and this caused avoidable delays and inconvenience.

If the subsidence problem had begun prior to taking out the policy, I don't think Mrs I was, or ought reasonably to have been, aware of it. Images from around that time show, at best, minor damage only and aren't a clear sign of subsidence. So, even if I was to disregard the Agreement noted above entirely, I'd still likely find it was unfair to decline the claim in these circumstances.

In summary, I'm not satisfied it would be fair for Lloyds to rely on the pre-inception exclusion for the reasons given above.

In response to the Investigator's view Lloyds said it was unable to agree a settlement under the policy terms since it needs to establish if subsidence occurred within the dates of the policy. However, Mrs I reported the damage in January 2024 and following an inspection Lloyds established the damage was, "*Attributable to subsidence, as a result of water escaping from the underground drainage system*". As explained above Lloyds can accept the claim under the Agreement and then pursue the previous insurer for contribution, if applicable.

Mrs I had no reason to suspect a subsidence problem until damage worsened significantly. And, when it did she got in touch with Lloyds. So I'm satisfied she acted reasonably and in line with the spirit of the policy.

In conclusion, I haven't been persuaded that it would be fair for Lloyds to rely on the policy terms it raised to decline the claim. As it accepts the damage was caused by subsidence, and that's covered by the policy, to put things right it should now accept the claim. The remaining terms and conditions will still apply. The next steps will be for Lloyds to investigate the internal damage.

Distress and inconvenience

A claim of this nature, involving subsidence, was bound to be both disruptive and stressful for Mrs I. However, I must determine the additional impact caused by Lloyds, beyond what could reasonably be expected from its handling of the case.

I can see from the information provided that Mrs I spent significant time and energy in trying to engage with Lloyds to get her home back into the condition it was in prior to her making a claim. And I don't underestimate the stress this has caused her.

Lloyds accept there were delays in its handling of the claim, together with poor communication and a lack of proactivity. It offered Mrs I £150 to apologise for this. Our

Investigator didn't think that went far enough to recognise the impact or length of the delays – and I agree. To reflect the distress and inconvenience to Mrs I, I think compensation in the amount of £300, including £150 already offered, is fair and reasonable and in line with the awards we make.

Putting things right

For the reasons set out above, I've decided to uphold this complaint and direct Lloyds to do the following;

1. Settle Mr and Mrs I's claim for external damage to the property as a result of the subsidence,
2. Assess the claim for internal damage to the property in line with the terms of the policy,
3. Pay Mr and Mrs I £300 compensation for the distress and inconvenience caused.

I would urge Lloyds, upon Mrs I accepting this final decision (if she does) to act swiftly to resolve matters.

My final decision

For the reasons explained above, I uphold this complaint and direct Lloyds Bank General Insurance to resolve matters by doing what I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I and Mrs I to accept or reject my decision before 15 January 2026.

Kiran Clair
Ombudsman