

## **complaint**

S is unhappy with Royal & Sun Alliance Insurance Plc's (RSA) decision not to continue providing subsidence cover on its home insurance policy for a block of flats.

## **background**

S made a claim on the policy for subsidence damage. RSA dealt with the claim and eventually loss adjusters arranged repairs. Later further cracking appeared and S contacted RSA to reopen the claim. RSA logged a new claim and sent new loss adjusters to look at the damage. The new loss adjusters found the cracking wasn't caused by subsidence, so RSA asked the loss adjuster who dealt with the original claim to look into the damage. The original loss adjusters said the cracking wasn't related to subsidence or the previous repairs. This loss adjuster said it was thermal movement. Because of this, RSA said there was no claim payable under the policy.

More importantly, around this time RSA told S Ltd that it wouldn't be offering subsidence cover after the next renewal, which was due a couple of days later. After some debate with S's broker RSA accepted that subsidence cover would continue, but only until the next policy renewal in March 2016.

S is unhappy with the removal of subsidence cover and doesn't think that it's fair. They feel that after the previous claims and the recent cracking it will be difficult to find another policy that includes subsidence cover with another insurer. It's also concerned about the effect this will have on them individually as flat owners in relation to their personal circumstances and things like mortgages if they cannot arrange suitable cover. S brought a complaint to this service about the removal of the subsidence cover.

Our adjudicator upheld the complaint. He didn't accept what RSA said about S being a commercial risk. Our adjudicator said that it was just a small group of individuals and so it wasn't a commercial risk. RSA said as it's a commercial policy it can withdraw subsidence cover if it wants to. Our adjudicator said that RSA should continue offering subsidence cover as two separate expert engineers said there had been no further subsidence damage. RSA didn't accept this and asked for the complaint to be passed to an ombudsman for a final decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

RSA said it made the decision not to continue subsidence cover based on the claims history, the recent cracking and the property being in a high risk subsidence area. However, it hasn't provided any information to show this is in line with its usual acceptance criteria. If an insurer is withdrawing or refusing to offer cover, we'd expect it to be able to show it's made that decision in line with its own criteria for providing cover. I haven't seen anything other than individual letters from RSA. So I don't accept that RSA has shown it has acted in line with its normal acceptance criteria. Further, RSA said S has a commercial policy, so it sees this as a commercial risk. S performs no other commercial business other than as the management company for the property. The policy covers a block of five domestic flats, so I think it's a domestic property (even though it might be insured under a commercial policy).

RSA did mention The Association of British Insurers Domestic Subsidence Agreement but only in relation to any subsidence claim that may occur if the property was insured elsewhere and a claim then occurred within the first year. But in line with the ABI guidance on continuation of cover and our usual approach it's considered good practice for insurers to continue subsidence cover after a subsidence claim has been made on a policy. I think it's fair to adopt the continuation of cover approach in this instance based on my point above about this being seen as a domestic property. I've not seen anything here to suggest RSA shouldn't continue offering subsidence cover as part of the policy. RSA and an independent report gained by S both confirmed that the property wasn't suffering from subsidence when the last round of cracks were checked. RSA also said that if S didn't accept the policy without subsidence cover it wouldn't offer any cover at all. Either way, RSA hasn't shown that its own criteria allows it to do this. I think RSA hasn't acted reasonably and should continue to offer S a policy including subsidence cover.

S is concerned about RSA recording the more recent cracking as a new claim. While I appreciate it felt this should have been looked at under the old claim, RSA explained that it needed to open a new claim and appoint new loss adjusters to investigate the cause of the cracks. I don't think that it acted unreasonably when it took such action and the damage wasn't at the time shown to be linked with the previous claim.

The evidence from both RSA and S suggests the new cracking isn't subsidence. However, S Ltd is in the process of getting a structural survey. If this report does go further and shows that the most recent cracks were caused by subsidence or are linked to the previous repairs, S can send this to RSA to consider it further.

At a later point in the complaint S's broker mentioned the £10,000 excess that RSA applied from the 2014 renewal. I don't know if RSA can show that this is something within its acceptance criteria but as I don't think this was part of the original complaint this needs to be discussed further between the parties before this service can consider it as a complaint.

### **my final decision**

I uphold this complaint. I require Royal & Sun Alliance Insurance Plc to:

- Continue offering subsidence cover as part of the policy.

I make no other award against Royal & Sun Alliance Insurance Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 8 February 2016.

John Quinlan  
**ombudsman**