

complaint

Mr and Mrs A have complained about Society of Lloyd's ("Lloyd's") decision to decline their claim for accidental damage to an outbuilding at their overseas holiday property. They are also dissatisfied with the overall handling of their claim.

background

Mr and Mrs A's overseas holiday home is comprised of a main house and an outbuilding/barn. The outbuilding was attached to other buildings some of which were in a state of disrepair. The local authority demolished part of the outbuilding that was posing a risk to the public and, in so doing, damaged the rear wall of Mr and Mrs A's outbuilding.

Mr and Mrs A visited their property to assess the damage and then made a claim to Lloyd's for accidental damage. Mr and Mrs A were initially informed the claim would not be covered because their policy included only very limited cover for accidental damage to buildings. Lloyd's later informed them that the policy would provide cover for accidental damage and Mr and Mrs A renewed their policy on this understanding.

After the policy was renewed, Mr and Mrs A were informed by Lloyd's that their claim would be declined. Lloyd's stated that the building had collapsed but that the '*collapse of the out building is not as a result of an insured peril*'. It also stated that whilst the policy did contain cover for accidental damage to buildings, '*collapsing*' was specifically excluded. Lloyd's offered Mr and Mrs A £250 compensation for the service received.

Unhappy with Lloyd's decision, Mr and Mrs A brought their complaint to this service. Our adjudicator investigated their complaint and recommended that it be upheld. He concluded that the outbuilding had been damaged accidentally as a result of the local authority demolishing another building to which it was attached; it had not 'collapsed'. He concluded that Lloyd's had unreasonably relied on the policy exclusion for 'collapsing'. He recommended that Lloyd's reconsider the claim in line with the remaining policy terms and conditions. He also recommended that compensation should be increased to £400.

Lloyd's disagreed with our adjudicator's findings and the complaint was referred for an ombudsman's final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mr and Mrs A's policy states the following: -

"Buildings

*The **home** and its decorations...*

Home

*The private dwelling of **standard construction** and the garages and outbuildings (my emphasis) used for domestic purposes at the **premises** shown in the **schedule**"*

The schedule cites the property address. The local land registry certificate records that the property includes the house and the outbuilding/barn. The schedule also states:

*“Accidental damage to Buildings - Overseas: ...
What is Covered
Accidental damage to the buildings...”*

There then follows a list of what will be excluded from cover.

Lloyd's has argued that the outbuilding did not form part of the proposal for the original insurance, however, Mr and Mrs A have stated that both the outbuilding/barn and the house were bought on the same day from the same seller in a single transaction and come under the same address. The house and the outbuilding were registered to Mr and Mrs A on the same date. Mr and Mrs A have also provided a copy email between them and their broker seeking confirmation that both the house and the barn are covered because both appeared on their title deeds. The insured address encompasses the house and the barn. I am persuaded that the outbuilding/barn formed part of the original proposal and, as can be seen from the above quotation, the policy confirms that there is cover for outbuildings.

Lloyd's declined Mr and Mrs A's claim by applying the exclusion for 'collapsing'. I have to decide whether it has acted reasonably in relying on this exclusion in order to decline this claim. It is my view that Lloyd's has unreasonably cited this exclusion in order to unfairly defeat Mr and Mrs A's claim. I say this because the outbuilding was accidentally partially demolished by the local authority when taking down an adjoining barn. I am unable to fairly conclude that accidental demolition is the same as 'collapsing'.

I note too that, at times, it has been asserted by Lloyd's that the outbuilding was not in good condition. Mr and Mrs A have explained that any 'open windows' in the barn were secured by wood and that the barn itself was secure from illegal entry. Whilst I note that the loss adjuster refers to the outbuilding as 'derelict' he also states that it is not habitable as there are no electrical services and the windows are open. Most compelling as to the condition of the outbuilding, however, is the comment from the loss adjuster who attended the site. He confirmed that it was in good condition. In any event, I note that the condition of the outbuilding has not been relied upon by Lloyd's in order to decline the claim.

Lloyd's has stated that the property was underinsured. I note that the loss adjuster recommended a reserve for underwriters of £32,500 on the one hand and on the other suggested that the rebuild cost (calculated based on the outbuilding's dimensions) was £64,000. The sum assured for the whole property (including the main house) was £80,000. Mr and Mrs A have said that they purchased the property in 2007 for Euros 55,000 (approximately £39,000) and had spent about £25,000 on it since. Mr and Mrs A have questioned the dimensions used by the loss adjuster to calculate the rebuild cost. They are of the view that he has incorrectly measured the barn and that the rebuild cost would be about half of the sum estimated.

As I am recommending that Lloyd's reconsider the claim in line with the remaining policy terms and conditions it follows that the underinsurance clause will form part of that reconsideration. It would be premature to judge the applicability of this clause at this point.

Mr and Mrs A have been put to considerable trouble, inconvenience and upset by Lloyd's poor handling of this claim and its decision to decline the claim. It is my opinion that a

compensation payment of £400 is fair in all the circumstances and is in line with what this service would normally award for similar levels of inconvenience and upset.

my final decision

My final decision is that I uphold this complaint and I require Society of Lloyd's to do the following:

- reconsider Mr and Mrs A's claim in line with the remaining policy terms;
- pay Mr and Mrs A the sum of £400 as compensation for its poor handling of their claim.

I make no further award.

Claire Woollerson
ombudsman