

complaint

Mr R is concerned that UK Insurance Limited (UKI) has declined a claim he made under his Landlord's property insurance policy.

background

Mr R made a claim under his landlord's property insurance policy, after becoming aware that the boiler in his property had failed and needed replacing.

UKI didn't agree to settle the claim. It said it thought the loss was excluded by the insurance policy.

It said it had received information from Mr R's own contractor to confirm the damage to the boiler was caused as a result of the water cylinder in the property's loft failing. It said Mr R's contractor had explained that the cylinder was 30 years old and had scaled up – resulting in the system running dry. And this caused the heat exchanger to crack.

UKI said whilst Mr R's policy did include cover for equipment breakdown, it excluded damage *'caused by or resulting from depletion, deterioration, corrosion, wear and tear, or other gradually developing conditions, unless such damage results from an accident.'* And because of the evidence it had received on the cause of the damage, it felt the above exclusion applied.

Mr R didn't feel UKI's decision was fair. He said that UKI hadn't asked him about the age of his appliances when taking out the policy, or provided him with the terms and conditions of his policy each year. And, Mr R said the damage he was claiming for was the failed boiler, not the water tank that had deteriorated.

Our investigator didn't uphold this complaint. She said because the information provided suggested the root cause of the damage to the boiler was the deterioration of the water cylinder, and the insurance policy did exclude damage caused by deterioration or wear and tear she didn't think UKI had acted unreasonably.

Mr R didn't agree this was fair. So, the complaint has been referred to me to decide.

my provisional findings

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

I sent Mr R and UKI a provisional decision on 19 September 2018. In this I said;

'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'm not intending on upholding this complaint. I understand this will be disappointing to Mr R. But, I've explained the reason for my decision below.

I've looked at the terms and conditions of Mr R's insurance policy. I can see that his policy does provide cover for equipment breakdown. And it says that equipment covered under the policy includes heating and hot water systems.

So, I'm aware that Mr R's policy does provide cover for the breakdown of his property's boiler and storage tank. But, like any insurance policy, there are exclusions to this cover.

I've reviewed the policy exclusions for this cover and can see the policy does say;

'1. We will not cover You for Damage caused by or resulting from:

(...)

C depletion, deterioration, corrosion, wear and tear, or other gradually developing conditions, unless such Damage results from an Accident.'

So, if the damage to the boiler at Mr R's property was either caused by or resulting from the above, the claim wouldn't be covered under the policy, unless the damage resulted from an accident.

In order to rely on this exclusion to decline the claim, UKI needs to prove it applies in this particular case. So, I've reviewed the information provided by both parties to see whether it has done this. And based on the information provided to me, I think it has.

UKI has said the initial report from Mr R's contractor explained the boiler had failed because the main heat exchanger had cracked. So, its own experts sought further clarification on what caused the heat exchanger to crack.

I haven't seen the initial report Mr R's contractor provided. But UKI has provided me with emails detailing the conversations UKI's own experts had with Mr R's contractor.

The emails show that Mr R's contractor said that ultimately the heat exchanger had cracked because of problems with the water cylinder in the loft. It said the water cylinder was a prismatic cylinder which was around 30 years old. And that usually, this type of cylinder contains an air bubble – which separates the heating and hot water. It said this air bubble had failed because the water cylinder had scaled up. This meant this system ran dry and overheated, causing the heat exchanger to crack.

I don't have any evidence to suggest these emails provide an incorrect account of the problem Mr R's contractor observed. And Mr R hasn't disagreed with the explanation of what caused the damage. So I'm satisfied the damage to the boiler was most likely caused by deterioration within the water cylinder.

I've also looked to see what would be considered an 'Accident' under this section of the policy. And this definition includes 'loss or damage to hot water boilers other water heating equipment oil or water storage tanks caused by or resulting from any condition or event (not otherwise excluded) occurring inside such equipment.'

Because the damage was most likely caused by deterioration and no other explanation for the damage has been provided I don't think the damage was caused by an 'accident' as defined by the policy. So I think UKI have acted fairly when declining Mr R's claim. I understand Mr R has explained that he's claiming for the damaged boiler, and not the water tank that had deteriorated. But, the exclusion in Mr R's policy explains UKI won't cover damage resulting from deterioration or gradually developing conditions. So, I think UKI acted reasonably in saying the damage was excluded under Mr R's policy.

Mr R has also explained that UKI hadn't asked him the age of his appliances prior to the claim – and it didn't supply him with a copy of his terms and conditions on renewal of his policy. But, I wouldn't have expected UKI to have asked Mr R about the age of the items he was covering when the policy was purchased. Mr R's insurance policy covers a number of different appliances – which may or may not be of differing ages. And insurance policies often exclude damage caused by deterioration and wear and tear. So I don't think this is an unusual exclusion UKI would've needed to raise questions about, or draw to Mr R's attention when the policy was taken out, or at renewal. So, I don't think these points make a difference to the outcome of this complaint.'

Both UKI and Mr R confirmed they received my provisional decision. And I received the initial report from Mr R's contractor. Both parties explained they had no further comments or evidence to add.

my findings

I've considered all of the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, including Mr R's original contractor's report. Having done this, I've decided not to uphold this complaint.

Mr R's original contractor's report does detail what was discussed in my provisional decision. And neither party has provided any further information to alter the findings noted in my provisional decision. Or, to alter what I think is fair and reasonable in light of those findings.

So, my decision does remain the same as noted in my provisional decision.

my final decision

For the reasons above, my final decision is that I don't uphold this complaint. So, I don't require UK Insurance Limited to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 17 November 2018.

Rachel Woods
ombudsman