

The complaint

Mr F and Miss H are unhappy with how Admiral Insurance (Gibraltar) Limited dealt with a claim about a leak. They've said it unfairly declined to cover the claim.

What happened

I'll set out a brief summary of the main points relevant to the dispute.

- Mr F and Miss H took out a home insurance policy with Admiral in August 2020
- In June 2021, Mr F and Miss H's property was damaged due to the escape of water from their upstairs shower. They got in touch with Admiral to make a claim and contacted plumbers for advice.
- Admiral appointed its agents to deal with the claim. The agents contacted Mr F and Miss H a few days later. Mr F and Miss H told the agents that a plumber thought the leak may have been caused by faulty sealant. Admiral's agents declined the claim.
- As Mr F and Miss H couldn't confirm the sealant was the issue the agents asked them to provide a report from a plumber.
- In early July 2021 Mr F and Miss H provided a report to Admiral confirming the leak was caused by a loose shower waste pipe. Admiral continued to decline the claim stating faulty sealant wouldn't be covered under the policy.
- Mr F and Miss H continued to chase Admiral. It agreed to reinstruct its agents, who visited the property in July 2021.
- Mr F and Miss H were told the waste pipe would be covered and someone would contact them further.
- As Mr F and Miss H had no contact, they chased the claim further and were told the claim was being reinvestigated. Unhappy with this Mr F and Miss H complained to Admiral.
- In August 2021 Admiral arranged for Mr F and Miss H's damaged contents to be collected for repair, but no further assessment had been made to the damage to the property.
- In late August 2021 Mr F and Miss H contacted Admiral again to discuss the claim, but they declined the offer of settlement made by Admiral's agents.
- In September 2021, Admiral responded to Mr F and Miss H's complaint and while upholding the complaint for the poor service provided it confirmed it had decided to decline the claim again due to the gradual damage exclusion in the policy.
- Our investigator thought Admiral acted unfairly in relying on the gradual damage

exclusion on the policy, so he upheld the complaint.

- He said Admiral should settle the claim in line with the policy terms, pay Mr F and Miss H 8% interest on any payments they'd already made towards repairing the damage and he asked Admiral to pay a further £150 compensation for the distress and inconvenience caused.
- Admiral didn't agree, so the complaint has been passed to me.

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.

The starting point for a claim to be considered is that an insured event has taken place, in this case an escape of water. It is normally for the insured to show that is the case. Once this has been done, the insurer should meet the claim in line with the terms and conditions of the policy, so long as no exclusions apply.

In this instance it isn't disputed that an insured event has occurred, the water leak. Admiral declined the claim initially because it felt the issue was caused by the failed sealant and subsequently because it says the gradual damage exclusion applies to the claim. I'll take each issue in turn.

Failed sealant

When Mr F and Miss H initially reported the leak and damage to their property, they said a plumber had verbally suggested the leak may have been caused by failed sealant around the shower. This was also mentioned to the agents appointed by Admiral to deal with the claim.

Admiral declined the claim due to the issue being sealant failure. Mr F and Miss H didn't agree with the decision and didn't feel Admiral had adequately investigated the claim. Mr F and Miss H told Admiral that a plumber hadn't visited their property or fixed the leak. Admiral asked them to provide a cause of damage report and it would then instruct its agents to investigate further.

On 7 July 2021 Mr F and Miss H provided a report from their plumber which confirmed the leak was caused by a failed waste pipe under the shower. Admiral emailed Mr F and Miss H to reiterate its position that the claim was closed, and it still felt the sealant issue wouldn't be covered, but it didn't seem that it had taken into account the recent report from the plumber. Eventually after chasing Admiral further it passed the matter back to its agents. After some time it was agreed by Admiral and its agents the claim should be covered.

Having considered the report provided by Mr F and Miss H's plumber, I'm satisfied that the leak wasn't caused by failed sealant as it stated the leak was caused by a faulty waste pipe under the shower which was likely to have loosened over a period of time. It's also clear from some of Admiral's internal notes that this was considered and from the notes there doesn't seem to be any reason as to why the claim couldn't proceed. And so it follows that whilst Admiral didn't unreasonably decline the claim initially, once the report was provided I don't think Admiral could reasonably rely on failed sealant to decline this claim.

Gradual causes exclusion

In September 2021, Admiral said it wouldn't be providing cover for the claim as the gradual

causes exclusion applied. Admiral say that according to the report provided it suggested the damage happened over a prolonged period of time. And as wear and tear wasn't something Mr F and Miss H were covered for under the policy, Admiral declined the claim.

The policy terms say under the General Exceptions to your Home Insurance cover:

10. Gradual Causes

Any loss or damage caused by anything that happens gradually including wear and tear, wet and dry rot, damage due to exposure to sunlight or atmospheric conditions, due to settlement, or any due to mildew, rust, corrosion, birds, insects, woodworm, pest or vermin.

So, Admiral seem to have applied the exclusion in line with the policy terms. And most policies do have similar exclusions. But I don't agree that this term is fair considering Mr F and Miss H's circumstances. Generally, the longstanding approach of this service is that it is unfair for an insurer to rely on such an exclusion if the consumer couldn't reasonably have been aware the damage was occurring.

Normally this situation is where the damage can't be seen. Mr F and Miss H have provided us photographs of the shower room and the downstairs room where the damage occurred. I've also been provided photographs by Admiral, which were taken by its agents during a visit to Mr F and Miss H's property. The damage was primarily under the shower, so was unlikely to have been visible until the damage to the downstairs ceiling.

There are no signs on the photographs provided that Mr F and Miss H should have been aware of the leak sooner. And no other evidence has been provided by either party to support this assertion. Therefore, I'm not persuaded they ought reasonably to have been aware there was a problem or acted sooner. As such, I don't consider the gradual causes exclusion can fairly be applied here.

I've also considered if the £350 Admiral offered as compensation for the poor service provided to Mr F and Miss H is sufficient in the circumstances. But I don't think it was, I'll explain why. Mr F and Miss H first raised the issue in June 2021. With the claim being declined soon thereafter. They provided further information in a timely way, but the information wasn't considered and despite chasing on numerous occasions Admiral closed the complaint on the face of it without considering the information they had provided.

When the claim was then approved Mr F and Miss H had to continue to chase for the inspections to be carried out which took a considerable time. No visit to scope the work had been done by the end of August 2021, in spite of Mr F and Miss H reporting at the outset that the carpets had started to go mouldy and the smell within the property being particularly unpleasant.

Subsequently on 3 September 2021, Admiral rejected the claim again but this time relying on the exclusion mentioned above. A number of Mr F and Miss H's belongings had already been removed for repair or replacement. So I can understand why this would have been particularly distressing for Mr F and Miss H, they had been waiting a long time for any work to be progressed on their damaged home but now in addition to all the delays, they were told that the claim was being rejected again. This was despite there being no new additional information but simply a delay in Admiral dealing with the claim itself appropriately and in a timely manner.

Mr F and Miss H have told us that they have tried to get some of the work completed themselves in the meantime, but they have been unable to complete all the work. Having

considered the reasons for rejecting the claim I'm not satisfied Admiral acted reasonably or fairly. It should have considered the report provided by Mr F and Miss H sooner and it should also have been aware of our approach to exclusions relating to gradual causes.

So I don't consider the delay was reasonable and I am satisfied that it has had a significant impact on Mr F and Miss H over many months. And I agree with the investigators opinion that Admiral should compensate Mr F and Miss H with a further payment of £150 for the distress and inconvenience caused to them on top of the £350 already offered.

Overall, I don't think it was fair for Admiral to decline the claim on the basis of the failed sealant or the damage happening gradually, as in my view, Mr F and Miss H were unlikely to have been aware of this.

Putting things right

As a result, Admiral should:

- settle the claim in line with the remaining terms and conditions of the policy, not relying on the exclusions mentioned in this complaint; and
- if the claim is accepted, any costs incurred by Mr F and Miss H to repair the damage caused by the leak should be reimbursed subject to any policy excess. Admiral should also add simple interest* at the rate of 8% per year from the date of any payment until it reimburses them; and
- provide a further payment for £150, in addition to the £350 already offered, for the distress and inconvenience caused.

*Admiral is required by HM Revenue and Customs to deduct tax from any interest paid. Should Mr F and Miss H request it, Admiral should provide them with a certificate showing how much tax has been taken off so that, if appropriate, they can reclaim it.

My final decision

My final decision is that I uphold this complaint and require Admiral Insurance (Gibraltar) Limited to pay the award mentioned above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Miss H to accept or reject my decision before 22 June 2022.

Jag Dhuphar
Ombudsman