

The complaint

Mr and Mrs A complain about AA Underwriting Insurance Company Limited (“AA”) and its decision to decline the claim they made on their home insurance policy.

What happened

Mr and Mrs A have home insurance with AA which began in August 2021.

Mr and Mrs A say in July 2022 while having their carpet changed in the hallway they were told there was a water leak. So they investigated further and found there was a leak in the ensuite in the master bedroom.

Mr and Mrs A reported the matter to AA and they were advised to get a plumber to fix the leak, and they did this on the same day. Following the repair they submitted a claim to repair the damage caused by the leak.

The AA sent a surveyor to inspect the property and prepare a report. Mr and Mrs A asked for a copy of the report but say it wasn't provided to them. Mr and Mrs A then spoke to AA to provide it with further information as requested.

Mr and Mrs A say they received a call from AA a few days later to tell them their claim had been declined due to an exclusion in the policy that doesn't cover issues that had been ongoing for a long time.

Mr and Mrs A weren't happy with the response and so complained. They said the policy covers water leaks, investigation, and putting things right. And AA were unable to give an explanation for what constitutes a long time. They said as soon as they found out about the leak it was repaired. Mr and Mrs A say the damage to the woodwork described by AA were scuff marks on the door lining. They also obtained evidence from an expert which proves the leak couldn't have been visible to them.

AA didn't agree. It said the policy excludes damage that is caused gradually over time. And since the surveyor who attended Mr and Mrs A's property noted the issue had been ongoing for considerable time, and damage was clearly visible, the AA said it should have been noticed by Mr and Mrs A and investigated sooner. So it thought its decision to decline the claim was fair. Mr and Mrs A remained unhappy so they referred their complaint to us.

Our investigator looked into the complaint and didn't uphold it. He said the images showed there was damage to the door frame which indicated the damage had been ongoing for some time. And on that basis AA hadn't acted unreasonably in declining the claim.

Mr and Mrs A didn't agree. They said they were unable to prevent the damage from occurring since they didn't know there was a leak. By the time they discovered the leak the damage had already occurred.

So the investigator looked into things again. He said he thought AA should cover the cost of the chipboard flooring based on the evidence. The investigator said he thought it was unfair

to expect Mr and Mrs A to be aware of the damage occurring. And for the inconvenience caused AA should pay Mr and Mrs A £100 compensation. Mr and Mrs A accepted the outcome.

AA didn't accept it. It said it correctly declined the claim on the basis of its surveyor's report which said the failure of the shower seals and grout had been ongoing for some time, and there was clear damage due to the ongoing leak that Mr and Mrs A didn't attempt to repair. Since AA didn't agree the complaint has come to me to decide.

My provisional decision

I recently issued a provisional decision setting out my thoughts on the key complaint points and how I thought matters might best be resolved. I said:

Our service assesses complaints independently within a fair and reasonable remit – we don't act for either a consumer or a business. And I want to assure Mr and Mrs A and AA that in considering this complaint, I've thought very carefully about what happened here.

Our investigator recommended upholding this complaint because they weren't persuaded there was cogent evidence to support AA's full repudiation of the claim. There is no dispute that damage occurred to Mr and Mrs A's home; in particular the carpets, architraves, and skirting. However there's disagreement between them about whether it was reasonable for Mr and Mrs A to be aware of the damage.

The relevant industry rules say an insurer should handle claims promptly and fairly and shouldn't unreasonably reject a claim.

I've considered the policy document. AA hasn't clearly defined what peril it was considering the claim under but taking the event as described by Mr and Mrs A I can only assume that AA has considered this event under Buildings Cover, section 3, "for loss or damage to the building caused by water as a result of a burst, leaking or overflowing domestic water or heating installation, appliance or piping."

AA says the damage to Mr and Mrs A's home isn't covered by the policy. It referred to a section in the policy called 'General Exceptions' which says the policy doesn't cover, "loss or damage arising from gradually operating clauses including deterioration, wear and tear, corrosion, rot or similar causes." So it has accepted there was water damage. AA goes on to say its surveyor concluded the issue had been ongoing for a considerable time, and since the damage is clearly visible on the woodwork it should have been noticed by the customer and investigated.

The information in the report is detailed and I can see why AA used it to inform its decision. With strict application of the policy terms AA can decline the claim. However I have also looked at the evidence provided by Mr and Mrs A.

I think their testimony regarding the leak and subsequent water damage is compelling and consistent. It is also backed up by photographs and independent evidence from the carpet fitter who discovered the water damage in the first place.

The photographs show some scuffing and paint which has chipped on the bottom of the architraves and some on the skirting, and in general the woodwork shows signs of wear but from what I can see there is no clear evidence of water damage.

The information from the carpet fitter says he noticed the sub floor was loose. And when the carpet was lifted they found the loose floor was laminate, and under that was cork tiles which

were glued to the floor. He says the water damage was under three layers of floor covering. And based on what I've seen in the photographs I think his evidence supports Mr and Mrs A's contention that they weren't aware of any damage until the carpet was lifted.

Further, as soon as Mr and Mrs A were aware of the water damage they took steps to locate the source of the leak and make the necessary repairs. So I think had they been aware of the damage sooner they would likely have taken these steps at that time. And the fact they didn't notice the damage means they were unable to alert their insurer or do anything to stop the damage getting worse. They couldn't have done anything more.

So although the failure of the sealant and grout was likely due to wear and tear the water leak and subsequent damage was under the flooring and not visible to the naked eye. And so I think the policy covers the damage caused as it says, "we will pay for loss or damage to the building caused by water."

Mr and Mrs A made the claim as soon as they became aware of the issue – so I think a fair and reasonable outcome is that AA can't rely on the exclusion and should pay the claim.

Response to my provisional decision

Mr and Mrs A said they didn't have any additional information to provide and were satisfied with the provisional decision.

AA didn't raise any additional points or query my findings.

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.

In light of the fact that neither Mr and Mrs A nor AA had anything to add to the findings set out in my provisional decision (which I've reproduced here and which forms part of this final decision), I'm satisfied it represents an appropriate way to resolve the dispute. For the reasons I've set out above I'm upholding Mr and Mrs A's complaint.

Putting things right

AA Underwriting Insurance Company Limited must take the following steps in settlement of this complaint:

- Pay the claim and settle the invoice for the items which were replaced or repaired as a result of the water damage.
- Add 8% simple interest from the date Mr and Mrs A paid the invoice to date of settlement.
- AA should also pay Mr and Mrs A £100 to reflect the distress and inconvenience caused to them as a result of this matter.

My final decision

For the reasons I've explained my final decision is that to settle this complaint AA Underwriting Insurance Company Limited must take the steps detailed above no more than 28 days after it receives Mr and Mrs A's acceptance of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 12 May 2023.

Kiran Clair
Ombudsman