

The complaint

Mr and Mrs B complain that Red Sands Insurance Company (Europe) Limited unfairly declined a claim they made under their home insurance policy.

Mr and Mrs B are joint policyholders. As most of the communication relating to the complaint has been from Mr B, I'll refer mainly to him in my decision.

Red Sands is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As Red Sands has accepted it is accountable for the actions of the agents, in my decision, any reference to Red Sands includes the actions of the agents.

What happened

In November 2022, Mr B discovered an escape of water which was coming through the ceiling of his house. He contacted a plumber who found that the leak was caused by vermin chewing through the pipework joints. Mr B decided not to proceed with a claim under his home insurance policy with Red Sands because the policy said it didn't cover damage caused by vermin. He made arrangements for the damage to be fixed and for the plastic pipework to be replaced with copper to prevent the issue from reoccurring. Mr B and his family moved into alternative accommodation while works were carried out.

In January 2023, Mr B contacted Red Sands about making a claim. He said he'd originally misunderstood the policy and thought the event wasn't covered but he'd received some advice that it was.

Red Sands declined Mr B's claim. It said damage due to faulty workmanship and vermin were specific exclusions to his policy.

After Mr B appealed against Red Sands decision, it asked him to provide some further information so it could fully review his claim. It also appointed a loss adjuster to validate the claim. The loss adjuster arranged to visit the property, but the visit was cancelled due to bad weather. Mr B's availability was limited as he often had to go overseas for work purposes. So, the loss adjuster submitted his reports to Red Sands, based on the information provided by Mr B.

Following this, Red Sands declined Mr B's claim. It told Mr B this was because the claim was not reported within 28 days of loss which was a requirement specified in the policy. It said the progress of works performed was without prior assessment / investigation / approval, notwithstanding the fact that the majority related to preventative elements not covered by the policy.

Mr B raised a complaint, but Red Sands maintained its position. It said while it understood why the claim was not reported within 28 days, works being completed without prior approval had prejudiced its position to allow it to investigate and validate his claim accordingly. It said from the evidence it had received, the majority of the works would not have been covered by the policy as these were preventative measures.

Mr B remained unhappy and asked our service to consider the matter.

Our investigator didn't think Mr B's complaint should be upheld. She didn't think Red Sands had done anything wrong.

Mr B disagreed with our investigator's outcome. He said the wording of the policy was misleading and Red Sands claims reporting procedure was designed to deter claimants. He said even Red Sands' own professional claims handlers misinterpreted the cover but had then accepted their error. If he had proceeded with the claim initially, Red Sands would have rejected it for that reason, so its position had not been impaired by the sequence of events.

Mr B said he'd provided comprehensive documentation to the best of his ability throughout the process, including invoices detailing work carried out and reports from himself and his plumber.

Mr B also commented that Red Sands' claims advisers, having admitted their error, accepted that the damage was covered and proceeded to appoint a loss adjuster to deal with it on their behalf. At the outset of these proceedings no mention was therefore made of any breach of the reporting timeframe until the loss adjuster's report was submitted. He said he felt it was unreasonable and wrong for Red Sands to avoid a legitimate claim on such spurious grounds.

As Mr B disagrees with our investigator's outcome, his complaint has been passed to me to decide.

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.

Having done so, I've decided not to uphold Mr and Mrs B's complaint. I'll explain why.

When a policyholder makes a claim, the onus is on them to show that an insured event most likely caused the loss or damage. If it's established that an insured event caused the damage an insurer can decline a claim if it can show that an exclusion applies, or a condition has been breached.

The buildings section of the policy terms and conditions say Red Sands pays for:

“All costs (without limit) for repairing or replacing any sudden and unforeseen damage over and above £350 (including any necessary architects' and surveyors' fees, removal of debris from the site and costs to meet municipal or local authority bye-laws), caused by:...”

It goes on to list a number of insured events including:

“Water escaping from pipes, tanks or appliances, including finding and accessing the leak causing the damage.”

In the column next to this, the terms and conditions list what is excluded which includes damage caused by *“vermin, moths, insects, rats, mice, squirrels, rodents, fungus, damp, rust, wet or dry rot.”*

So strictly speaking the policy excludes any damage caused by vermin. However, after Mr B challenged Red Sands' initial declination of his claim, it agreed to consider his claim without relying on this exclusion.

The policy's terms and conditions also say what the policyholder should do if they need to make a claim. They say:

"You will need to complete the online form so We can check cover, perform anti-fraud checks and then point You to the most appropriate team to provide assistance. This needs to be done as soon as reasonably possible of You becoming aware of the loss. Anything submitted more than 28 days after You became aware of the loss will not be considered."

Mr B says he didn't proceed with a claim after he discovered the damage to his property in early November 2022. This was because there was a warning about the consequences of having a claim declined during Red Sands' online claims process and Mr B could see that damage caused by vermin was excluded. He raised his claim in January 2023, after an acquaintance told him he thought he would have a valid claim for escape of water.

Red Sands' notes suggest it accepted Mr B's reasons for bringing his claim outside of the 28-day time frame. While it was aware Mr B had submitted his claim outside of the time limit, it decided to ask him for further information to see if this would allow it to validate his claim. It also appointed a loss adjuster.

Mr B says that after agreeing not to rely on the exclusion for damage caused by vermin, Red Sands accepted his claim. However, having reviewed the information available to me, I'm not persuaded that it did.

In emails Red Sands sent to Mr B in February 2023, it asked him to provide a plumber's report confirming cause of damage and any photos before works were carried out *"so the claim can be fully reviewed."*

In March 2023, the loss adjuster told Mr B that while he agreed the proximate cause of the damage to his property was as a consequence of an insured peril, he would need to explain to the insurers that *"the scope and cost of the claim is fair and reasonable and that you are not in breach of any policy terms or conditions."*

In another email (sent on 20 March 2023) the loss adjuster said he'd submitted his report to the underwriters and was awaiting their instruction on whether they considered their position had been prejudiced by remedial work proceeding prior to their approval. In the same email the loss adjuster said the policy doesn't cover preventative work and liability for the claim *"if accepted"* would be limited to the events resulting in water damage to the building and accessing the pipe from where a leak was occurring. The email also said the *"Underwriters need to decide on the broader issues on whether they are prepared to accept a policy liability or not."*

So, I'm satisfied Red Sands made it clear that although it was considering Mr B's claim, it hadn't yet decided whether or not to accept it.

I understand Mr B's frustration that Red Sands didn't mention the 28-day policy condition prior to requesting information from him and appointing the loss adjuster. However, this wasn't Red Sands' sole reason for declining his claim. I don't think Red Sands would have asked Mr B for information to support his claim and gone to the expense of instructing a loss adjuster if its intention was to decline the claim based on the 28-day condition all along. It seems that the main issue was that Red Sands felt it wasn't able to validate Mr B's claim.

From what I've seen, it seems that much of the repair work had already been completed by the time Mr B made his claim. It looks like the loss adjuster had wanted to visit the property and meet with Mr B to help evaluate the scope and cost of works within the remit of the policy cover. He also wanted to fully explain the scope of the cover to Mr B in person. Due to

the difficulties in arranging a visit, the loss adjuster prepared his report based on the information Mr B had provided.

I can see that Red Sands asked Mr B for a plumber's report confirming the cause of damage and photos taken before the work was carried out, as well as estimates and invoices for the completed works.

The only damage that can be seen from the photographs Mr B provided is some water damage to the ceiling. The loss adjuster commented that this could have been repaired with a stain block and re-emulsion. In response, Mr B said this wouldn't have been adequate because he did not have the original paint match and the staining was very widespread. However, it looks like there were only two photographs showing staining and in Mr B's report of events he's only referred to leaks in three rooms.

Mr B also provided a couple of photographs showing the removal of plasterboard to trace and access leaks and install new pipework. However, he doesn't appear to have provided a report from the plumber who carried out the trace and access. The only plumber's report I've seen is from the plumbers who carried out the preventative pipework replacement. According to this, they attended the property a few weeks after the escape of water event.

I can see that Mr B sent Red Sands a number of invoices and receipts for work carried out on his home, as well as for the costs of alternative accommodation.

The main cost was for replacing the pipework with copper pipes. However, the policy only covered damage caused by water escaping from pipes, not the cost of repairing or replacing damaged pipes or any other pipework as a preventative measure.

Mr B provided an estimate for replacing carpeting amounting to over £11,000. However, I haven't seen anything to show the cause or extent of the damage to the carpets. In Mr B's own report, he describes several leaks in different parts of the ceiling. He says these were all noticed and dealt with quickly, so it's unclear how carpets could have been so badly damaged that they needed replacing, rather than cleaning. If the damage to the carpets happened as a result of the pipework replacement work, it wouldn't be covered under the terms of the policy. So, I can understand why Red Sands was unable to validate this part of Mr B's claim.

Mr B also provided receipts for his alternative accommodation. The terms of the policy say Red Sand will pay for:

"The cost of renting a similar property or providing temporary kitchens and bathrooms to allow you to remain at your home and other associated costs for the time that You are unable to live in Your home following any insured damage to Your house that We agree to pay for."

This means that Mr B's alternative accommodation costs would only be covered if the property was uninhabitable as a direct result of the escape of water event. The receipts Mr B has provided show that he and his family were booked in alternative accommodation for a couple of weeks in December 2022 and around four weeks in January to February 2023. However, Mr B says the escape of water happened in early November 2022. This suggests that the property wasn't made uninhabitable by the escape of water event itself. The information I've seen suggests that Mr B decided to move into alternative accommodation while the preventative pipework replacement work was being carried out. So, it wouldn't be covered under the terms of the policy.

I appreciate Mr B feels he has lost out because it wasn't clear from the terms that Red Sands would be willing to consider his claim despite the exclusion for damage caused by vermin. If he had known this, he would likely have gone ahead with his claim before arranging the repairs. However, I think Red Sands has taken reasonable steps to try to validate Mr B's claim based on the information he provided. Unfortunately, it wasn't able to do so. And, in any event, it seems that only a small proportion of his costs would likely have been covered by the policy. So, while I understand my answer will be disappointing for Mr and Mrs B, I haven't found reason to uphold their complaint.

My final decision

For the reasons I've explained, I don't uphold Mr and Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 8 April 2024.

Anne Muscroft
Ombudsman