

The complaint

Mr R and Mrs V complain about the way Lloyds Bank General Insurance Limited (“Lloyds”) handled a claim they made for subsidence damage under their home insurance policy.

Any reference to Lloyds usually includes its appointed agents, unless set out otherwise.

Mr R has been the main correspondent in bringing this complaint, so for ease in the decision I’ve only referred to him.

What happened

In late 2022, Mr R noticed some cracking to the walls of his property, he thought it might be due to subsidence, so he made a claim on his home insurance policy. Lloyds assessed the damage but concluded it hadn’t been caused by subsidence, or anything else covered by the policy. It said the cracks were down to thermal movement, and there wasn’t evidence of tapered cracks or rotational movement as would be common with subsidence damage.

Unhappy with Lloyds’ assessment of the damage, Mr R complained. He said Lloyds hadn’t sent an engineer to his home, only a photographer to take photos of the damage for it to assess. He said measurements of the cracks hadn’t been taken, so Lloyds hadn’t done a proper assessment. He also complained that the claim had been recorded as a subsidence claim, even though Lloyds had declined it.

Lloyds didn’t change its position on the outcome of the claim. It also said it had a duty to record any claims made on a policy, but his would be marked as a non-paid claim.

Unhappy with Lloyds’ response, Mr R brought his complaint to the Financial Ombudsman Service. He said he wanted a copy of the full report carried out by Lloyds, and confirmation that registering this claim won’t affect his insurance premiums in the future.

Our Investigator didn’t think Lloyds had acted unreasonably in relying on its expert to decline the claim. She said Lloyds had offered for Mr R to provide his own report on the cause of the damage if he didn’t agree. She said Lloyds had also agreed to a further visit to his property, which Mr R hadn’t taken up. She thought its actions had been reasonable in how it had responded to his concerns.

Mr R didn’t accept that outcome. He said Lloyds hadn’t offered to revisit the property and he felt Lloyds’ contractor had been negligent in the way it had assessed the damage. He also said it hadn’t taken account of a large tree in a neighbouring property, or the fact his neighbour has had a subsidence claim successfully registered with their insurer. He asked for compensation for him and his family for the way this had been carried out.

Our Investigator provided Mr R with a copy of the letter from Lloyds where it offered to revisit the property, sent in January 2023. She said she didn’t think Lloyds needed to pay any compensation as it hasn’t been shown Mr R does have a valid subsidence claim.

As Mr R didn’t agree, the matter has come 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.

As this is an informal service, I'm not going to respond to every point or piece of evidence Mr R and Lloyds have provided. Instead, I've focused on those I consider to be key to determining the complaint. But I would like to assure them I have considered everything provided.

When making a claim on an insurance policy, it is for the insured – so in this case Mr R – to show he has suffered damage covered by the policy. If he can do so, then the insurer must meet the claim unless it can rely on a valid exclusion to decline it.

Given the complex nature of subsidence claims, this Service would expect an insurer to assist its policyholder to determine if there is a valid claim. So I've considered whether Lloyds took reasonable steps to do so, bearing in mind it is ultimately for Mr R to prove his loss.

Lloyds said it would attend Mr R's property to inspect the damage, but rather than send an engineer, it sent a photographer to take pictures of the damage, for Lloyds' engineer to then assess. Based on the photographs taken, the engineer's view was that it wasn't likely the damage had been caused by subsidence.

Mr R wasn't satisfied with that, as he said there had been changes to the water table, because of dry weather. He said he'd been in the property since 2017 and the cracks had only appeared now, and that his neighbour had a large tree that was taking water out of the soil. So he felt it could have been more than normal thermal movement as Lloyds suggested.

Where there is a difference of opinion, my role is to decide what evidence I'm most persuaded by. Having considered everything, I'm currently more persuaded by Lloyds' evidence that the damage most likely hasn't been caused by subsidence.

Lloyds' expert said it thought there was no evidence of any tapering cracks increasing in width with height on external or internal elevations. It thought the internal damage was more likely to be as a result of floor/ceiling joist movement and thermal movement. I'm satisfied Lloyds' expert is reasonably qualified to assess these claims. And whilst I've balanced those with Mr R's comments, I'm more persuaded that Lloyds is reasonable to rely on its own expert. Whilst they didn't attend the property, it said it knows of the soil types in the area and general influencing factors. And Mr R hasn't provided any expert opinion to counter that of Lloyds'.

Whilst Mr R is very unhappy with how the visit was carried out, I don't think it is ultimately for this Service to dictate how Lloyds should assess claims made by its policyholders. For example, I don't think it would be appropriate for me to say Lloyds should always send qualified engineers out to any report of possible subsidence damage. That extends beyond the remit of this Service's powers.

But I can consider if Lloyds acted fairly in considering this particular claim. It decided it could do a review based on photographs alone without a site visit. I don't think that is unreasonable as a first step. I consider it's likely this keeps claim costs down in contrast to Lloyds sending engineers out to every incident of possible subsidence. So I don't agree with Mr R that Lloyds has been negligent in only reviewing photographs as a first step.

However, I can see from the photographs that the cracks will have caused some worry, they affect several rooms of the property, and are noticeable even when the photograph was taken from a distance. So I can appreciate why Mr R wanted extra assurance that there was no subsidence damage to the property, especially considering what he's said about neighbours having to make subsidence claims that have been accepted. However, I note that in early January 2023 Lloyds did offer to attend Mr R's property, in person, to assess the damage again. I think this was a reasonable offer from Lloyds given the concerns Mr R raised.

Mr R hasn't said he didn't receive that offer. In any event, I'm satisfied Lloyds has evidenced it provided it. So I can't say it's been negligent or not taken his concerns seriously. I

understand that offer, of an in person visit, is still available – in any event I'd expect Lloyds to honour it. Or if Mr R has lost faith in Lloyds' service, I'd expect it to reimburse what Mr R pays for this own report, *if* that report shows that the property is suffering from subsidence damage. But I'm satisfied – at the moment – that the only evidence provided to this Service from a suitably qualified expert doesn't support there being subsidence damage to the property. So I don't think Lloyds has treated Mr R unfairly, and as such, it doesn't need to provide any compensation. Mr R says this has been ongoing for some time, but I don't think that is the fault of Lloyds, as it has offered to carry out further investigations within a reasonable period from first assessing and declining the claim.

Mr R has asked for confirmation that his insurance premium won't be affected by him registering the subsidence claim. Lloyds has said the claim is correctly marked to show it hasn't been paid. But it couldn't confirm what, if any, impact this would have on future insurance premiums. Having reviewed matters, I'm satisfied it is reasonable Lloyds has registered the claim in the way it has, as it does have a duty to record claims made, even if those aren't accepted as covered by the insurer.

Lloyds hasn't said whether this would impact Mr R's premium or not, but I don't think that is unreasonable. I say this because how insurers price policies depends on a range of different factors. It is also commercially sensitive information that it wouldn't share with its customers. But as I'm satisfied it has recorded the claim correctly, even if this was factored into Lloyds', or different insurer's, premium pricing, I wouldn't say its unfair for it to do so. Lloyds is ultimately entitled to decide what it will charge for a policy depending on the risks it is willing to insure.

I'm satisfied Lloyds has provided a reasonable answer to Mr R's complaint. But if Mr R still has concerns about the damage to his property, he can either contact Lloyds for a site visit, or provide his own report for it to consider.

My final decision

My final decision is that I'm not going to ask Lloyds Bank General Insurance Limited to do anything differently.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs V to accept or reject my decision before 18 June 2024.

Michelle Henderson
Ombudsman