

The complaint

Mr and Mrs L complained that a claim hasn't been paid by Liverpool Victoria Insurance Company Limited on their contents insurance policy.

What happened

Mr and Mrs L took out a contents insurance policy with LV which started in August 2022. In January 2023, Mr and Mrs L suspected a leak in their bathroom. In mid-February, Mr and Mrs L contacted LV to make a claim. Initially LV had concerns as to whether there was cover under the policy as it only covered Mr and Mrs L's contents, and the claim was for an escape of water. Mr and Mrs L live in a house converted to flats. They own the leasehold but also jointly own the freehold. LV eventually accepted they could look at it and appointed a loss adjuster at the end of March 2023.

The loss adjuster completed a report and the claim was declined on the basis there were defects to all mastic seals around the bath and shower trap. Mr and Mrs L brought a complaint to our service. Our investigator didn't uphold this complaint. They thought it was fair that LV had declined the claim as it was based on an expert's report.

Mr and Mrs L were unhappy and got their own report. This evidenced there was a leak under the bath. After sending the report to LV, LV agreed there was an insured peril and they'd cover the claim. This resolved Mr and Mrs L's complaint and so it was withdrawn.

LV asked the loss adjuster to draw up a scope of works and tried to find alternative accommodation for Mr and Mrs L whilst the repairs took place. However, the estimate for the work was more than £30,000 but under the policy, there was a £5,000 limit.

LV informed Mr and Mrs L that they wouldn't be able to complete the work. LV also reviewed Mr and Mrs L's buildings insurance policy and felt that they might be covered in full under this policy. LV worked with Mr and Mrs L's broker to arrange a claim to be made to their building's insurer. Mr and Mrs L were unhappy that LV had gone back on covering the claim and raised a complaint. LV apologised and said they should have referred the claim sooner. They offered £250 compensation for the trouble and upset caused. Mr and Mrs L were unhappy and so brought another complaint to our service.

Our investigator upheld the complaint. They didn't think the compensation was enough for the amount of trouble and upset caused and said LV should increase it to a total of £450. LV accepted the investigator's outcome. Mr and Mrs L didn't agree. They said:

- They'd already paid a £250 excess and so this was effectively being refunded
- The situation has been ongoing for a year
- LV agreed in writing and so they shouldn't be allowed to go back on this
- Mrs L had a fall and hurt herself after tripping over damaged tiles LV said they'd remove

- Mr L arranged to rent an office space after LV told them they'd need to move to alternative accommodation

Our investigator told Mr and Mrs L that this didn't change the outcome of their complaint. The complaint has 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.

At the outset I acknowledge that I've summarised their complaint in far less detail than Mr and Mrs L have, and in my own words. I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. The rules that govern the Financial Ombudsman Service allow me to do this as it's an informal dispute resolution service. If there's something I've not mentioned, it isn't because I've overlooked it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach an outcome in line with my statutory remit.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly, and not unreasonably decline it. So, I've thought about whether LV acted in line with these requirements when it declined to settle Mr and Mrs L's claim.

As a service, we can only consider complaint points that have been raised with the firm and they've had the chance to respond to them. In their response to our investigator's view, Mr and Mrs L raised the following points:

- Mrs L had a fall and hurt herself after tripping over damaged tiles LV said they'd remove
- Mr L arranged to rent an office space after LV told them they'd need to move to alternative accommodation

Whilst I am very sorry to hear about Mrs L's fall and hope that she's recovering from her injuries. I've not seen anywhere that these points have been raised with LV yet. As such, I can't comment on them in this decision. Should Mr and Mrs L remain unhappy about these points, they'll be able to raise them as a separate complaint with LV.

I've looked at Mr and Mrs L's policy schedule. This confirms that they didn't take out any cover for their buildings through LV, they only have cover for their contents. Whilst the total contents sum assured is £75,000, cover is limited to £5,000 under the tenant's liability section of their policy. The damage to Mr and Mrs L's property by the leak is caused to their buildings and not what would usually be covered under a contents policy. However, the terms and conditions of the tenant's liability section are as follows:

"We will provide cover if **you** are legally responsible as a tenant for the following:

- a. Loss of or damage to **your home** and landlord's fixtures and fittings by any of the causes under section B 1-9...*

*The most **we** will pay is £5,000 for one incident."*

Section B5 of the policy relates to escape of water. So, damage to fixtures and fittings

caused by a tenant would be covered under the policy. Mr and Mrs L have said their broker has told them that they're covered for £75,000 and the whole claim should be payable under the policy. Whilst the policy does cover Mr and Mrs L for £75,000 worth of contents, the tenant's liability section only covers them for £5,000 as set out above. I don't think Mr and Mrs L are covered for the damage under any other section of the policy.

LV has spent a lot of time considering whether Mr and Mrs L are covered under this section of the policy. Mr and Mrs L own the leasehold for the property. However, they also jointly own the freehold for the building along with the other flat owners. LV didn't initially think Mr and Mrs L's circumstances were covered under the policy. LV then decided that Mr and Mrs L's circumstances were covered under the policy. However, LV has now informed me that they don't think the claim is covered under the tenant's liability section of the policy as Mr and Mrs L aren't tenants as they don't have a rental agreement.

LV felt the claim was better suited to be made under Mr and Mrs L's buildings insurance policy. This is because they felt Mr and Mrs L might have a chance of having the full repair costs covered. I don't think it was unfair or unreasonable for LV to make this suggestion to Mr and Mrs L.

It's not in dispute that LV should have referred Mr and Mrs L to their building's insurer sooner. The claim was first raised in February 2023 and the referral wasn't discussed until December 2023. However, there were several months during this time where the original complaint was with our service. LV originally offered £250 compensation. Our investigator increased this to a total of £450 which LV has agreed to.

I appreciate that it must have been frustrating for Mr and Mrs L to not have been able to have any repairs completed yet. This has had a negative impact on Mrs L's mental health, she's said she suffers from depression and anxiety. Mr and Mrs L have also said they had their heating on for longer and had a cough which they think is as result of the leak. Although this is a distilled version of events, I've considered everything in the round and I think Mr and Mrs L have been caused considerable upset which has taken a lot of extra effort to sort out over several months. In line with our website guidelines, I think the £450 compensation awarded by our investigator is fair and reasonable in the circumstances.

Mr and Mrs L have raised that they've paid an excess of £250 to LV and so the compensation is effectively just refunding this. I asked LV about this, and they confirmed that the excess needed to be returned to Mr and Mrs L. LV said that a contractor asked Mr and Mrs L for their bank details but they weren't provided. LV were going to issue a refund of the excess by cheque. If Mr and Mrs L haven't received this yet, they will need to raise it further with LV.

Whilst LV's current stance is that they don't think Mr and Mrs L's circumstances are covered under the tenant's liability section of the policy, they have agreed to still honour the £5,000 policy limit should Mr and Mrs L's building insurer decline the claim. Mr and Mrs L will need to contact LV if this happens. LV have said that they won't charge Mr and Mrs L an excess as it's a gesture of goodwill and not covered under the policy. As LV are still offering to cover Mr and Mrs L for the maximum limit under the tenant's liability section, I don't need to comment on this further.

My final decision

For the reasons I've explained above, I uphold this complaint and direct Liverpool Victoria Insurance Company Limited to pay a total of £450 compensation, if they haven't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Mrs L to accept or reject my decision before 26 July 2024.

Anthony Mullins
Ombudsman