

The complaint

Mr and Mrs C complain about Liverpool Victoria Insurance Company Limited (LV)'s handling of their buildings insurance claim.

All references to LV also include its appointed agents.

What happened

Below is intended to be a summary of what happened and does not therefore include a full timeline or list every point that has been made. My findings focus on matters covered in the final responses LV provided up to August 2023. I won't however be considering any further matters following this date.

- Mr and Mrs C reported a leak to LV around August 2022.
- LV sent someone to investigate, they couldn't find a leak, and so the claim was closed.
- Around the time this took place, Mr and Mrs C's policy was due to renew – and initially it sent them an invite with a figure of around £720.
- As the claim was closed, LV recalculated the premium with a new invite of around £469 and Mr and Mrs C renewed the policy.
- Around May 2023, Mr and Mrs C contacted LV to say there had been further issues and they had asked the Water Company to investigate, finding a leak.
- The claim was reopened, and LV said Mr and Mrs C would now need to pay the full £720 premium.
- Mr and Mrs C was unhappy with this and also feels LV failed to diagnose the problem when it initially looked at matters around October 2022.
- LV didn't uphold Mr and Mrs C's complaint. In its final responses LV said it is a normal part of its process to charge an additional premium as part of an attempted claim.
- In one of its final responses, LV acknowledged Mr and Mrs C said they could not pay both the premium excess and the premium increase. It offered to waive the excess on this occasion.
- Mr and Mrs C were unhappy with this and so they brought their complaint to our service.

Our investigator recommended the complaint be upheld. They said LV were already aware of the potential of this loss and this could have been factored into the renewal offered in November 2022. He didn't think LV had acted fairly by increasing this further into the term of the policy when the claim was reopened.

To put things right, the investigator recommended LV refund the Mr and Mrs C the difference in premium and pay them £100 compensation for the distress and inconvenience caused.

LV didn't agree with our investigator. It said Mr and Mrs C were made aware of the cost increase due to a claim prior to renewal. The claim was initially closed as information only as no insured event had been discovered.

The complaint passed to me, and I wrote to both parties in January 2024 to request more information. I asked Mr and Mrs C for further information regarding reports – in particular from the water company regarding its findings.

I asked LV for a copy of any reports or investigations carried out by its contractors when it attended Mr and Mrs C's property.

Neither party provided any further detail at that time following my requests.

My provisional decision

I issued a provisional decision on 20 February 2024.

In my provisional findings, I said:

“Regarding the premium

LV were aware of the issues that formed the claim when it reduced the premium charged in the renewal invite. When Mr and Mrs C came back to LV, the original claim was reopened. And I've not seen anything that persuades me there were new circumstances or that a new claim was initiated.

As LV were aware of the potential loss at the time of renewal, this would need to be factored into the premium at that time and it is not fair for it to adjust Mr and Mrs C's premium midterm. So therefore, I think it's reasonable that LV recalculate the premium back to the original amount charged on renewal. It should then refund the difference in premium for any amounts paid to Mr and Mrs C.

LV said it would waive the excess fee in acknowledgment of Mr and Mrs C being unable to pay both this and the increase in premium. Paying an excess is normally a standard part of making a claim on most policies so as I'm intending to direct LV refund the difference in premium and considering the circumstances in which LV offered to waive the excess fee, if Mr and Mrs C wish to pursue a claim it's reasonable for them to pay this.

LV claim handling and diagnosis of the issue

Although I haven't received reports or results of investigations. LV have provided testimony from its contractor's findings at the site. It sets out the testing it carried out and that it found no leak on the supply. It also says it later carried out a CCTV survey and dye testing which also showed no leak, and that recommendations were made to contact the water company.

I understand Mr and Mrs C's frustration that a leak was later identified but based on what I've seen I'm not persuaded the investigation LV carried out was inadequate.

So for these reasons, I intend to uphold this complaint.

Putting things right

To put things right I'm intending to direct LV to:

- *Recalculate the premium back to the revised amount charged on renewal with the claim being recorded as 'information only'.*

- *Refund the difference in additional premium for any amounts paid to Mr and Mrs C. It should add interest at 8% simple per annum on any amounts from the date they were paid to the date of settlement.*
- *Pay Mr and Mrs C £100 for the inconvenience caused by its actions.”*

Responses to my provisional decision

Mr and Mrs C provided further comments following my provisional findings. In doing so, they've provided further detail as to why they believe LV's investigation was initially inadequate.

I won't repeat this in full here, but in particular they've said LV didn't do any digging in their initial visit, but simply carried out tests on an existing hole dug by Mr and Mrs C.

They said if LV had simply expanded the hole dug by themselves initially it would have found the leaking pipe – which it did in a further visit much later, when the leak was discovered.

Mr and Mrs C pointed out as a result of the delay in finding the leak they had been charged additional amounts for lost water for around a year which they are now trying to resolve with the water company.

Regarding not being able to afford to pay the additional premium and excess, Mr and Mrs C said at the time they were mourning the loss of a close family member and were dealing with costs from this. So LV's actions impacted them at what was already a very emotional time.

LV didn't agree with my provisional findings. In summary, it said when the claim was reactivated after the policy renewed it was then a valid claim and so an additional premium was due.

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.

I've considered what both parties have said, but it doesn't change my decision – or my reasoning.

I understand Mr and Mrs C feel strongly about what has happened, and they've provided several detailed points in response to my provisional decision. I want to assure them I've considered everything they've said very carefully.

However, my findings focus on what I consider to be the central issues, and not all the points raised. I don't intend this as a discourtesy. The purpose of my decision isn't to address every single point the parties have raised or to answer every question asked. My role is to consider the evidence presented by Mr and Mrs C, and by LV, to reach what I think is a fair and reasonable decision based on the facts of the case.

I understand Mr and Mrs C also have concerns about LV's conduct more widely but we aren't able to address those at this service as we aren't the regulator. Our role is to consider the individual circumstances of each complaint.

Regarding the premium

LV were aware of the potential loss at the time of the renewal. So, any risk factors it was aware of would need to be factored into the premium at that time and I remain of the opinion

in the circumstances of this case it is not fair for it to adjust Mr and Mrs C's premium midterm.

LV claim handling and diagnosis of the issue

I understand Mr and Mrs C's frustration a leak was later identified. I appreciate it being located in close proximity to where the original hole had been dug would add to that frustration. While this is unfortunate, I've not seen anything that persuades me the investigation LV carried out initially was inadequate.

Whilst in hindsight it could be said if LV excavated further, it might have found the leak, there is no guarantee it would have. And I can only look at what did happen – and this is reflected in the outcome, the reasoning I've provided and direction to LV in how to put things right.

Regarding compensation and payments

I'm sorry to read of the loss of Mr and Mrs C's family member – and I'd like to take the opportunity here to express my condolences.

I think being told they were liable for paying both an excess and an increased premium would have caused concern for Mr and Mrs C. And I understand, at what was already an emotional time, this would have caused further distress.

I set out in my provisional findings my thoughts regarding the excess fee – and that LV should refund the difference in any additional premiums paid with interest. I also remain of the mind that LV should pay Mr and Mrs C £100 compensation for the distress caused by its actions.

Putting things right

- LV should pay Mr and Mrs C £100 compensation as this fairly reflects the distress Mr and Mrs C have been caused by its actions.
- LV should recalculate the premium back to the revised amount charged on renewal with the claim being recorded as 'information only'.
- LV should also refund the difference in additional premium for any amounts paid to Mr and Mrs C. It should add interest at 8% simple per annum on any amounts from the date they were paid to the date of settlement.

My final decision

My final decision is that I uphold Mr and Mrs C's complaint.

I direct Liverpool Victoria Insurance Company Limited to do as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 2 April 2024.

Michael Baronti
Ombudsman