

The complaint

Mrs D and Mr S complain that Lloyds Bank General Insurance Limited (Lloyds) is pursuing them for the cost of investigating a leak and has unfairly declined their claim under their home buildings insurance policy.

I will refer to Mrs D in my decision for ease.

What happened

Mrs D noticed her kitchen ceiling was wet and paint was peeling onto her cooker. She says the bathroom is above the kitchen. She arranged for a plumber to investigate. He removed the side panels from the bath and checked around the toilet but could find no leak.

Mrs D says Lloyds sent an engineer to investigate. But no leak was found. She says she paid her policy excess, which was £100. But it now wants approximately £300 on top of this for the cost of the investigation. Mrs D says she's receiving debt collection letters and isn't satisfied with the action taken by Lloyds.

In its final complaint response Lloyds told Mrs D, when she first called, that she must pay the investigator costs if its engineer couldn't find a leak. It says it told her this was likely to be between £300 and £500. No leak was found so the charges were payable. It says the excess fee Mrs D had paid wasn't deducted from these costs. This was an error. After this was amended she owed £274.

In its response Lloyds says its engineer thought the water damage was most likely due to failed sealant around the bath. It says it initially told Mrs D during her first call that it wouldn't send an engineer. Then later in the call said it would. Lloyds says it could've provided a better service, and paid £75 compensation to Mrs D.

Mrs D didn't think she'd been treated fairly and referred the matter to our service. Our investigator didn't uphold her complaint. He says Mrs D's policy terms don't cover investigation costs where no leak is found. He thought Lloyds's engineer had taken reasonable steps to try and find a leak. Our investigator thought it was fair that Lloyds should reconsider the claim if Mrs D instructed a plumber and evidence of a leak was found. But in the absence of this evidence, he felt Lloyds had acted reasonably.

Mrs D disagreed and asked for an ombudsman to consider her complaint.

It 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'm not upholding Mrs D's complaint. I'm sorry to disappoint her but I'll explain why I think my decision is fair.

Mrs D's policy terms and conditions say:

"Tracing and accessing a leak

When a leak happens it is sometimes hard to find exactly where it's coming from, so please take all reasonable steps to stop the water and prevent the damage getting worse. You or your plumber must take all reasonable steps to find where the leak is coming from, and fix it at your own cost. If you have Buildings insurance and it is necessary to damage your buildings to find and/or get to the leak and it is from a home appliance, or a fixed water or heating system, we'll pay for: – the cost of finding the leak, and – repairing the damage caused in getting to the leak. If you or your plumber need to damage your buildings, we'll need to agree to the work before it takes place. So please call us first."

This says the costs of finding a leak and repairing any damage in doing this is covered. But in this case no leak was found. Mrs D confirms that her plumber couldn't find a leak. Albeit I note her comments that he thought there may be a leak in the void between the kitchen ceiling and bathroom floor.

I've read the report Lloyds's engineer provided following his investigation. It says:

"Moisture profiling has been undertaken in the kitchen and the upstairs bathroom. No elevated moisture readings are recorded in the kitchen or in the bathroom.

Visual inspections in the bathroom identify layers of multiple sealants around the bath. The resident advised that the last layer had been put there recently. There are also cracks visible in the grouting between the wall tiles.

An endoscope camera investigation has been undertaken in the voided floor between the bathroom and the kitchen and under the boiler system. No leaks have been identified here from the pipework. There is corrosion visible on a water pipe. This likely came from a historic leak.

Flush testings on the waste pipework in the bathroom haven't recorded an increase in moisture in the bathroom or the kitchen.

Conclusion: During the investigation, there is no leak identified from the pipework in the property. It's likely that the moisture damage on the ceiling in the kitchen is historical from the sealants around the bath or when the shower was still in use.

It's recommended to repair the cracked groutings between the wall tiles and replace the sealants around the bath."

The report contains several videos that show the deteriorated condition of the sealant and some cracking in the wall tile grouting. I've looked carefully at the photos from the endoscope inspection. This supports the engineer's view that there is no observable leak from the pipework. At the time of the investigation the engineer found no elevated moisture readings. This suggested the moisture damage on the kitchen ceiling was historical and related to the failed sealant around the bath.

Mrs D's policy terms say:

"We won't pay claims for damage caused by:

.. The failure or lack of sealant or grout. For example, we won't pay a claim if the sealant around your shower wears away and causes water damage."

I think Lloyds's engineer's report is persuasive that there was no ongoing leak. But rather the cause of the moisture damage to the kitchen ceiling was likely caused by water penetrating the failed sealant and cracked grouting. There is no cover under Mrs D's policy for damage caused in this way.

I've thought about Mrs D's comments that she had already paid her policy excess and is now being chased for further costs for the leak investigation.

I've read the claim records. The notes say an agent informed Mrs D that the cost of employing a plumber wasn't covered by her policy. They also show Lloyds agreed to appoint an engineer to investigate for a leak, at the insistence of Mrs D. I think it's reasonable that it agreed to do this. But the notes indicate Mrs D was told that if no leak was found she was liable to pay for the cost of the investigation.

A partial transcript of the first notification of loss call (FNOL) was included in Lloyds's file submissions to our service. This says Mrs D was told the cost of this would probably be between £300 and £500.

I asked Lloyds to provide a copy of the FNOL call, which it did. The call lasts just under 23 minutes. Around 19 minutes into the call Lloyds's agent explains to Mrs D that an engineer can be sent to trace the source of the leak. The agent also explains if no leak is found there will be a charge for the service of somewhere between £300 and £500. Mrs D acknowledges this information and agrees to an engineer being sent.

Having considered all of this I don't think Lloyds treated Mrs D unfairly when it relied on its policy terms to decline her claim and charge her for the cost of its investigation. I think it's fair that it paid her £75 for the service shortfalls it identified. But I can't reasonably ask it to do anymore.

If Mrs D is able to provide evidence from a plumber to show there is an active leak. Lloyds should reconsider her claim. But I won't ask it to do anything more here.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr S to accept or reject my decision before 14 May 2024.

Mike Waldron
Ombudsman