

The complaint

Mr and Mrs C complain that Amtrust Europe Limited unfairly rejected their landlord property insurance claim.

What happened

Mr and Mrs C had insurance with Amtrust and made a claim on it for damage caused by an escape of water.

Amtrust arranged for the property to be inspected and their surveyor said the damage had been ongoing for quite some time. As a result of that, Amtrust declined the claim - explaining that damage caused gradually over time wasn't covered by the policy.

Mr and Mrs C weren't happy with that, they said they hadn't known of the policy term that excluded gradual damage, and they'd been told it was uncommon in insurance.

An investigator here looked into the matter and explained that the terms and conditions of the policy had been provided to Mr and Mrs C. He also explained that the gradual damage term wasn't uncommon in such policies – because they're designed to cover one off events, which can't necessarily be predicted.

In Mr and Mrs C's case the investigator noted that they had accepted the damage had been ongoing for some time as it had been reported to them by the tenants several months before the claim was made.

Agreement couldn't be reached, so the matter 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.

I'm sorry to disappoint Mr and Mrs C, but I agree with the conclusion reached by the investigator, for largely the same reasons. Insurance is generally designed to cover one off events, which can't necessarily be predicted or can't be prevented. Examples of that could be a flood or a storm.

It appears to me in this case that Mr and Mrs C, along with the insurer's surveyor, all accept that the damage was occurring gradually and had been getting worse over time. Unfortunately, that's just not something that's covered, especially if it has been known about for some time.

Property owners are generally expected to carry out maintenance promptly when signs of damage become apparent. That's because insurance isn't a substitute for such action. And it seems to me that Mr and Mrs C, or at the very least their tenants, would have seen signs of the damage for some time before it was reported. Rot and mould doesn't appear overnight, and having reviewed the photos it was significantly bad when inspected, so it seems likely to me that there would have been signs of damage earlier.

From my perspective, it was entirely reasonable of Amtrust to have expected the damage to have been reported to them at the earliest opportunity. Aside from the maintenance point above, one of the reasons insurers exclude cover for gradual damage is because it gets worse over time and becomes more costly to fix. And in general, consumers should do what they can to prevent or reduce damage.

I'll turn now to the point Mr and Mrs C have made about not being aware of the gradual damage clause. It is a common exclusion in insurance policies so, even if they didn't know about it, I very much doubt they'd have found a policy which covered their loss. So, I don't think it can be said they were misled or mis-sold the policy to their detriment.

Overall, and for the reasons set out above, Amtrust were fair in their assessment and rejection of Mr and Mrs C's claim.

My final decision

It is my final decision that I don't uphold this complaint.

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

Will Weston
Ombudsman