

The complaint

Mr P has complained that Accredited Insurance (Europe) Limited ('Accredited') declined his escape of water claim under his home insurance policy.

What happened

Mr P purchased his property in 2023. In December 2023, Mr P unfortunately experienced an escape of water at his home from an ensuite bathroom which came through to the bedroom, causing damage to the fitted wardrobe, wallpaper, and carpet. Mr P's plumber found a leak from the cistern feed and isolated the WC. When Mr P reported the incident to Accredited, it instructed a surveyor who attended shortly afterwards. Accredited declined the claim because it considered that the damage had been caused gradually and that this was excluded under the policy. Mr P complained to Accredited as he said that the leak had been significant and rapid, however Accredited maintained its original stance.

Mr P remained unhappy with the outcome of his complaint, and he referred the matter to this service. The relevant investigator upheld Mr P's complaint. She didn't think that Mr P was, or should reasonably have been aware, that the leak was ongoing. As such, she thought he couldn't have acted any earlier to address the issue and he reported the problem as soon as he became aware of it. The investigator therefore didn't think it was fair for Accredited to apply the exclusion.

Accredited didn't agree with the investigator's view and the matter was then referred to me to make a final decision in my role as Ombudsman.

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.

The key issue for me to determine is whether Accredited acted in a fair and reasonable manner in applying the terms and conditions of the relevant policy by declining Mr P's claim. I don't consider that it did act fairly and reasonably, and I'll explain why.

I turn firstly to Mr P's submissions. He said that at a specific time on the relevant date in December 2023, a sudden and rapid escape of water occurred and ran from the ensuite bathroom through to the master bedroom. He said that this immediately flooded the carpet and wardrobe. He strongly contested that the damage was gradual. He said that he'd tried to submit his house buyer's report to Accredited as it provided survey details of the master bedroom. However Accredited was unwilling to re-open the matter.

Mr P said that the underlay, carpet, grip rods and fitted wardrobes all had to be removed and taken away by skip. He said that the water had damaged wardrobe panels, and *'as they were one complete fitted unit, the entire section had to be removed.'* Mr P said that he removed litres of water from the carpet using a particular floor vacuum in an attempt to salvage the carpet, but this wasn't successful. Mr P then had to run fans and heating

constantly for two weeks to dry out the walls and floor. He subsequently had to redecorate, and have replacement underlay, carpet and wardrobes fitted.

Mr P explained that he'd only purchased the property some 7 weeks before the leak. He'd arranged a home purchase report prior to purchase of the property. His contractor had tested the location and didn't discover any leakage or damp. Mr P accepted that some mould was discovered by Accredited's surveyor, but Mr P believed that this was from a historical event *'as there had been no sign of damp as per our surveyor's report.'* He said there was therefore no evidence of a gradual leak and no sign of mould or damp on the wall, carpet or wardrobes. Also, the wallpaper was intact, and the room was dry.

Mr P was also unhappy about the lack of communication from Admiral, and he said he'd *'been unable to speak to anyone other than their surveyor, and they closed off the customer portal immediately upon their decision and would not consider any further evidence.'*

Finally, Mr P made it clear that before the date of the incident, he hadn't been aware of the leak or that any damage was being caused. He disagreed that the leak could have been occurring prior to the policy being in place. He said that his own survey had shown that there were no unusual or high moisture levels found and said that relevant areas had been damp-tested. He pointed out that it had been 8 months since the claim was made and he'd had to personally finance the repairs and said that the *'lack of action and disregard of the claim...has caused us significant problems.'*

With regard to his home purchase report of July 2023, the relevant company provided a follow-up letter confirmed that they didn't *'force or open up the fabric'* so didn't take up carpets, floor coverings etc. It said that a handheld device was used to test for dampness at random points to internal walls, floors and other surfaces. It made it clear that, *'no higher than average damp readings were recorded during the inspection. No evidence of these conditions were encountered.'*

I now turn to Accredited's submissions in relation to the complaint. It explained that it had considered Mr P's claim under the *'escape of water'* section of the policy. It had also relied upon its surveyor's report which stated that given the extent of the damage found, it was likely that the leak was occurring prior to the start of Mr P's policy at the beginning of November 2023. It referenced mould to the wardrobe and walls but acknowledged that this was at the bottom corner of the room and, *'may have been difficult to spot,'* but it said that *'it is still gradually operating.'* With reference to Mr P's home purchase report, it recognised that this may not have shown any leak at the property, however it said that the damage suggested otherwise. Accredited's in-house team also reviewed the matter and provided an opinion that, *'The damages are gradual and have occurred over a period of time. this would more than likely have occurred pre policy and therefore no cover is maintained.'*

Accredited then referred to the *'general exclusions'* section of the policy wording. It confirmed that it didn't cover any leak which had been gradually operating over a period of time. It said that it was satisfied that the correct decision had been made. It accordingly supplied its surveyors report dated December 2023. This stated, *'In our opinion, given the extent of damage found, the leak was likely occurring prior to the policy inception. There is mould under the wallpaper, which indicates that the leak has been ongoing for a while, and the plinths an end panel and one of the doors to the built in wardrobe are blown. There is mould to the wardrobe and walls and whilst this is to the bottom corner of the room and therefore may have been difficult to spot, it is still gradually operating.'* Later, Accredited stated that the mould damage to the wardrobe was clearly visible and it couldn't agree that this would have been difficult to spot, particularly on the wardrobe and skirting board.

Accredited concluded that, having reviewed the images, it was clear that the damage had been occurring for some time and would have been clearly visible to Mr P, particularly in the bottom right corner of the wardrobe. It said that the area showed clear mould and signs of high moisture in an unusual area. It considered that this would have been present for some time in a room that was regularly used by Mr P. It considered that the visual evidence was clear and that the leak *'could likely have been occurring before October'*

Accredited's case-notes recorded that the bedroom carpet had been peeled back to reveal that the concrete underneath was very wet, and the rubber carpet backing had started to disintegrate, so the carpet would need to be replaced. It also recorded that there was mould under the wallpaper, which Accredited thought was an indication that the leak had been ongoing for a while, whilst certain parts of the wardrobe had *'blown'*. It recognised that replacement of the relevant part might mean its entire replacement. The notes also recorded the work which would be needed to the wall and skirting and also recognised that the floor under bathroom tiles would be wet and would need to be partially replaced.

I now turn to my reasons for upholding Mr P's complaint. The starting point will be the wording of the relevant policy. In this case, the section of the policy regarding the escape of water included from any *'fixed domestic water installation'*. In this case, I'm satisfied that this provision was engaged as the leak originated from the cistern feed. It also covered reasonable costs of trace of and access as to the cause of the problem, and subject to the usual excess amounts. Accredited accepted here that there had been an escape of water.

I note that Accredited had relied upon the standard policy exclusion for *'any gradual or maintenance-related loss or damage.'* This includes wear and tear and *'gradual deterioration (whether you were aware of it or not),'* and also damage due to mould. The evidence shows that Mr P had insured his property with Accredited from early November 2023. He'd also obtained a survey in the summer, prior to purchase. It's clear that Mr P became aware of the leak and damage within a month of policy inception.

I've carefully considered the surveyor's report provided by Accredited and dated December 2023 together with the photographic evidence within that report. I can't agree with Accredited's ultimate assessment that the leak and damage caused by it, to the wardrobe, wall and skirting board would have been obvious to Mr P. He'd obtained a report prior to purchase of his home, and I'm satisfied that this didn't raise any alarm-bells in terms of an existing damp problems, or indeed any leak from the cistern into the bedroom.

Significantly, even in December 2023, Accredited's own expert and surveyor acknowledged that the visible damage was in a bottom corner of the room. It acknowledged that this may have been difficult to spot. On the balance of probabilities, I conclude that any leak will have post-dated Mr P's house purchase and the commencement of Mr P's home insurance policy with Accredited. Whilst there's no expert evidence to show whether the leak developed over the intervening month, or whether it occurred suddenly on the date it was noticed by Mr P, I'm satisfied that it occurred relatively quickly and didn't amount to gradual deterioration. In terms of visible mould, on the balance of probabilities, this is also likely to have appeared rapidly as there had previously been no recorded evidence of such mould.

Accredited's report of December 2023 noted that the area under the carpet was very wet and that the backing had started to disintegrate. It also that the mould was under the wallpaper, and the damage to the wardrobe indicated a longer-term leak. It also concluded that it was likely that the leak was occurring prior to policy inception. We therefore have conflicting evidence from two different reports following inspection of the property. I note that Mr P's surveyor hadn't lifted carpets in order to carry out its survey, however it had taken damp readings, which hadn't indicated a problem at the time. In the circumstances, I consider it likely that in view of the December report which showed that the relevant area

was very wet by December 2023, that the leak had either been very minor and undetectable by experts for several weeks and then developed into a rapid and serious problem shortly before Mr P's discovery, or that it had emerged rapidly for the first time in December 2023. In either case, I don't consider that it was fair or reasonable for Accredited to have relied upon the relevant exclusion clause.

I'm satisfied that the deterioration was relatively recent and sudden and had been undetectable by experts until Mr P reported the matter to Accredited. I see that Accredited attempted to exclude deterioration whether the policy holder was aware of it or not. In this case, however, I consider that it would have been unreasonable for Accredited to rely upon this clause as Accredited's own experts accepted that it may have been difficult to spot, even some days after Mr P's reporting of the incident. It's unfortunate that Accredited then denied that this was the case and tried then to say that parts of the damage were clearly visible. I also note that Mr P acted swiftly to ensure that the leak was stemmed. On the balance of probabilities, I don't consider that Mr P could reasonably have discovered and reported the matter any sooner than he did.

To put things right for Mr P, Accredited should now reassess the claim under the remaining clauses of the policy. If the claim succeeds, then in terms of any expenditure which Mr P has reasonably incurred, and which would otherwise have been covered in a successful claim, Accredited should also pay interest on that sum from the date Mr P shows that he incurred such expenditure.

My final decision

For the reasons given above, I uphold Mr P's complaint and I require Accredited Insurance (Europe) Limited to do the following in response to his complaint: -

- To process Mr P's claim on the basis of the remaining provisions of the policy, taking into account the relevant excess amount, however to do so on the basis that the exclusion clause relating to gradual or maintenance-related loss will not apply.
- In the event that the claim is successful, to pay interest on the amounts which Mr P has reasonably incurred and which would otherwise have been covered, from the date that Mr P shows he incurred such expenditure until the date of settlement.

*If Accredited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr P how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 October 2024.

Claire Jones
Ombudsman