

complaint

Mr and Mrs C are unhappy because Lloyds Bank General Insurance Limited declined their home insurance claim, even though it had previously said it would be covered.

background

Mr and Mrs C made a claim under their policy for damage caused to a floor when Mrs C's foot went through it. It turned out that the floor was infested with woodworm. But even though that sort of damage was excluded by the policy, Lloyds told Mr and Mrs C that it would cover the claim as they had no idea of the problem.

But Lloyds later changed its mind and said the claim wouldn't be covered. Lloyds apologised to Mr and Mrs C for the earlier incorrect information it gave them, and offered them £200 compensation for the trouble and upset caused by the error.

Our adjudicator thought the claim should be partly upheld. She didn't think the damage was covered by the policy so she thought Lloyds' decision to decline it was fair. But, she thought that Mr and Mrs C's expectations were raised by Lloyds incorrectly telling them that the claim would be covered. She felt it should increase the compensation to £500 to reflect the disappointment caused.

Lloyds disagreed. It feels the trouble and upset suffered by Mr and Mrs C was minor and that the compensation it offered was sufficient. It also referred to two decisions ombudsmen had made in similar cases where only a small amount of compensation was offered.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

is the claim covered?

For a claim to be successful it must firstly be shown that the damage falls within one of the covers provided by the policy. If it does, the insurer is required to pay the claim unless an exclusion applies.

Here, the claim was considered under the *accidental damage* section of the policy. 'Accidental damage' is defined in the policy as "an accident that causes physical damage, which is caused suddenly by an outside force and is not expected and not deliberate". What happened here falls within that definition. It's therefore necessary to look at any exclusion that might apply.

There's a 'General exclusion' (which means that it applies to all sections of the policy) which states that any damage caused by woodworm or beetles isn't covered. As the dominant cause of the damage to the floor was woodworm (I think Mrs C's foot going through it was just the final straw), I think Lloyds' ultimate decision to decline the claim was fair.

incorrect information

Despite the above, there is no doubt that Lloyds told Mr and Mrs C, on more than one occasion, that their claim would be covered. I accept that this was a genuine mistake. But it

did happen. And it gave Mr and Mrs C a legitimate expectation that their claim would be covered. And that expectation was reinforced the more times Mr and Mrs C were told and the longer it went before the error was corrected.

I have looked at the two previous ombudsman decisions Lloyds provided in support of its position. I think it's important to point out that the compensation I award isn't for the wrongdoing itself (that would be a fine), it's for the impact that wrongdoing had. So Lloyds might make the same error independently to two different policyholders, but the level of compensation required to put matters right might be completely different because the error affected one policyholder more than the other.

In this case Mr and Mrs C said they feel completely let down by Lloyds and discovering the true position caused them "utmost stress". I note that Lloyds mentioned to us that no amount of compensation would likely be acceptable to Mr and Mrs C because fixing the problem is going to be costly. But I think the cost of the repair is relevant to the appropriate compensation. Although it's a cost Mr and Mrs C would have been faced with had Lloyds correctly advised them from the start, I think the severity of the repair costs adds to the disappointment and stress suffered when a policyholder finds out that they're not covered for something they were previously told they were covered for.

Overall, I think the trouble and upset suffered by Mr and Mrs C warrants more than a minor compensation payment and more than Lloyds offered. I think the £500 suggested by our adjudicator is more in line with the stress and loss of expectation they suffered.

my final decision

I uphold this complaint in part. I require Lloyds Bank General Insurance Limited to pay Mr and Mrs C total compensation of £500 (ie the £200 it already offered plus another £300).

The compensation must be paid within 28 days of the date on which we tell Lloyds that Mr and Mrs C accept my final decision. If it pays later than this it must also pay interest at 8% per year simple on the compensation, calculated from the date of my final decision until the date of payment¹.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 12 September 2016.

Paul Daniel
ombudsman

¹ If Lloyds considers that it's required by HMRC to take off income tax from the interest, it should tell Mr and Mrs C how much it's taken off. It should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HMRC if appropriate.