

The complaint

Mr and Mrs W have complained that Aviva Insurance Limited ('Aviva') declined their claim for a replacement boiler and also settled a burst pipe claim for less than expected under their home insurance policy.

For the avoidance of doubt, the term 'Aviva' includes its agents, loss adjusters, contractors, and representatives for the purposes of this decision letter.

What happened

Mr and Mrs W experienced two distressing incidents at their home in December 2022. Firstly, the boiler burst. All water was turned off and Mr and Mrs W were left with no hot water or central heating for two weeks until they replaced the boiler. Following this, three pipes in the loft also burst and caused significant damage to their home. Mr and Mrs W instructed their own contractors to carry out building, electrical and plumbing repairs as well as decoration, at a total cost of £15,000. Aviva declined to pay for a replacement boiler. It settled the claim for works following the burst pipes incident, however it settled it for roughly half the claimed amount. It also settled the related contents claim for just under £5,400.

Mr and Mrs W made complaints to Aviva regarding these two matters. However, Aviva maintained its position. In the circumstances, Mr and Mrs W referred their complaint to this service. The relevant investigator didn't uphold Mr and Mrs W's complaints. She considered that the boiler damage wasn't covered by the policy. She also concluded that, having considered the policy terms and conditions alongside the claim information, that Aviva hadn't acted unfairly or unreasonably in limiting their liability to the amount it would have cost them to complete the repairs.

Mr and Mrs W remain unhappy about the outcome of their complaints to Aviva. In the circumstances, the matter has been 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.

Mr and Mrs W have made complaints in relation to two issues here. The first relates to Aviva's decision to decline their claim for boiler replacement. The second relates to Aviva's cash settlement of Mr and Mrs W's claim for damage to their home following three pipes bursting in the loft at their home. Whilst I appreciate that this will come as a great disappointment to Mr and Mrs W, I'm unable to uphold these complaints on the available evidence, and I'll explain the reasons for my decision. In reaching this decision, I've also taken into account the parties' submissions as summarised below.

Firstly, I turn to Mr and Mrs W's submissions in relation to the boiler. When the boiler incident occurred, all water was turned off, so there was no hot water or central heating for at least two weeks, and it was extremely cold. They had an elderly relative staying with them at

the time who was extremely cold. Mr and Mrs W were boiling water and using an electric heater and hot water bottles for two weeks. It was then that the pipes above the bedroom burst, and all water was again turned off again. Mr and Mrs W said that the boiler had been serviced only a month before it broke down completely. They'd had repairs to it costing over £500 which they didn't claim for. The new boiler cost nearly £5,500 and Mr and Mrs W were looking to Aviva to reimburse the cost of this. They'd had to borrow money from friends and used the last of their savings to pay for this.

Mr and Mrs W wanted to know how old a boiler needed to be for it to be excluded from cover due to gradual deterioration or lack of maintenance, as the boiler had only just been serviced. They also felt that the exclusion wasn't clearly highlighted in the policy documents. They said they were never told that they needed separate cover for the boiler. In conclusion, Mr and Mrs W thought that their policy made it clear that the boiler was insured for such eventualities. They also said that if the boiler issue had been dealt with immediately under the policy, they may not have had to deal with burst pipes and the consequent damage.

Secondly, I turn to Mr and Mrs W's submissions regarding the damage to their property caused by burst pipes. They said that the incident involved three burst pipes and described the extent of the damage to both the building and its contents. Mr and Mrs W said that whilst Aviva had paid out for certain damage to the bedroom and contents, it had refused to pay out for all building, electrical and plumbing work and decoration. They said that Aviva had paid only half of the total bill of £15,000 which they'd had to pay their contractors.

Mr and Mrs W said that black mould had developed. Eventually, after nine weeks, Aviva had agreed that they could go ahead and use their own contractors. They felt that work became more extensive due to the long wait for Aviva to deal with the claim. They said the ceiling and stud wall had been removed by their contractors at the outset to make it safe. Mr and Mrs W also said that Aviva never asked to see quotes in advance and only asked for quotes after the work had been completed. They felt that the extent of the costs had been out of their hands, as the work had been done and had to be paid for. They also felt that they'd sent photographs and quotes for all relevant work and their contractor had produced an adequate breakdown of the relevant works on headed paper as requested by Aviva. Mr and Mrs W were also led to believe that they would receive assistance, as they were told that £7,500 was an interim amount so they thought that there was more money to come.

Mr and Mrs W accepted that they'd been advised not to start work to begin with. They complied with this but were also told by Aviva that they could use their own contractors and Aviva had admitted that Mr and Mrs W could be waiting a long time for Aviva's contractors, as they were so busy. Finally, Mr and Mrs W said that they were now struggling financially as they hadn't been reimbursed for all of the remedial work which they'd paid for. They'd borrowed money from friends and family and now felt emotionally drained and let down by Aviva. As for the service provided by Aviva, they said that communication with Aviva had been '*a nightmare*'. They'd been left on hold during phone calls '*and no-one ever gets back*'. They also didn't understand what work Aviva's first loss adjuster had carried out and felt that the second loss adjuster's inspection had been cursory.

I now turn to Aviva's submissions regarding the boiler damage. It said that it located a call to its claims department in mid-December 2022 which referenced failure of the 'jacket' or heat exchanger. The representative had consulted the policy cover and advised that unfortunately the damage wouldn't be covered as it would be attributed to mechanical failure or breakdown. Aviva then referenced the relevant page of Mr and Mrs W's policy. Aviva also accepted that Mr and Mrs W had provided photographs of the damaged boiler and an invoice for the replacement boiler. It reiterated however that Mr and Mrs W wouldn't be covered for boiler replacement under the policy. Aviva said that Mr and Mrs W had

mentioned that the burner had been water damaged and it confirmed that it could potentially consider this aspect for further claim consideration under the '*escape of water*' peril.

As to the burst pipes, Aviva accepted that this was an insured event and that significant damage had been caused to Mr and Mrs W's property including saturated and collapsed ceilings and flooring. It also accepted that contents, including clothing and bedding had been ruined. It noted that Mr and Mrs W had been keen to progress the claim and wanted their own contractor to carry out the works. Aviva said that it had advised Mr and Mrs W that until the drying process at the property had taken place, no reinstatement should be undertaken. Aviva considered that Mr and Mrs W had proceeded to have repair works completed despite being strongly advised to contact Aviva before progressing them, to ensure that claim liability could be accepted and about any settlement they would receive.

It said that following a loss adjuster's visit in February 2023, Aviva settled some aspects of the claim. It advised it would reimburse plumbers and electrical invoices once received. It said that Mr and Mrs W had also said that they would post their builder's quote for review and confirmed a preference for a cash settlement. It said that Mr and Mrs W had called for an update in March 2023 and were informed that a further loss adjuster visit would be essential to validate the costs included in the claim. The loss adjuster scoped the works and said they would cost just over £7,500, as opposed to the contractor's invoice of £15,000. Aviva said that the loss adjuster had based the schedule of repairs on damage viewed on site and photographs taken at the previous visit. Aviva said that it ultimately made payments totalling £13,500 under the buildings and contents sections of the policy.

As Mr and Mrs W disputed the settlement, Aviva said that it would require a full breakdown of their contractor's quotation, with a breakdown for materials and labour and that this was the standard claims procedure. It quoted the policy requirements in this respect. When it did receive information from the contractor, Aviva said it wasn't a line-by-line invoice from the contractor on official headed paper. This meant that it couldn't compare its own breakdown with that of the contractor to see if there was anything else it could do to assist. It considered that some invoiced items hadn't been included in the original claim.

Aviva said that it had also advised Mr and Mrs W that if it was their preference to have their claim cash settled, then it would request quotations for review prior to any works being completed. It said it confirmed that if Mr and Mrs W wished to continue to dispute the offer, it would require a second quotation for comparative purposes. Aviva accepted that it had advised that the amount paid was an interim payment whilst their dissatisfaction was being investigated. In summary, Aviva considered that the settlement offered was the limit of liability under the relevant policy for the evidenced damage following the claim incident. Aviva accepted and acknowledged that an initial loss adjuster appointment had to be cancelled at short notice. It also accepted that on occasions, the standard of its communication hadn't been as it should be. It therefore awarded compensation of £250 by way of further apology for these aspects.

Having carefully considered the submissions and all available evidence, I now provide the reasons for my decision not to uphold Mr and Mrs W's complaints. The starting point for the decision is the policy itself. It clearly covers damage caused by '*an escape of water*' from apparatus and pipes. It excludes any loss or damage caused by wear and tear, or any damage that happens gradually over time. It also excludes costs that arise from normal use, maintenance and upkeep of buildings and contents.

Under the heading of '*Claim Conditions*' the policy documents state that it may pay the cash value of repairs as follows: - '*if we offer to repair or replace any item and you ask us to pay you the cash value, we will not pay you more than the amount it would cost us to repair or*

replace the item through our preferred supplier'. It also states that it may appoint a contractor to validate a claim and who will be authorised to arrange a quotation.

Unfortunately, home insurance policies don't cover every eventuality and all damage caused within the home. The cover is determined by the relevant insurance cover and the specific terms and conditions of each policy. I have a great deal of sympathy for Mr and Mrs W in relation to the two incidents which faced them in December 2022. Clearly the ordeal of dealing with a boiler replacement and then burst pipes, which caused such extensive damage, would have been very distressing indeed. I also appreciate that the insurance validation process itself also inevitably causes additional stress and inconvenience. However, the issue for decision is whether Aviva acted in a fair and reasonable manner in accordance with industry practice and procedure in handling Mr and Mrs W's claims.

Firstly, as to the burst boiler and the need for replacement, unfortunately for Mr and Mrs W, I have to agree with Aviva that the catastrophic boiler failure is not something which is covered under their home insurance policy. I can't uphold this aspect of their complaint. Appliances and boilers are often covered under specific insurance policies which provide breakdown, replacement and servicing cover. In this instance the terms and conditions show that the policy doesn't cover breakdown through normal usage over time. Whereas damage caused by escape of oil from a boiler is specifically covered, unfortunately boiler breakdown is not. I agree with Mr and Mrs W that if the boiler had been damaged by an *'escape of water'* event, it could potentially have been covered as it was a fixture or fitting and therefore part of the building. Also, if the water from the boiler, being an apparatus, had damaged the building, then this too may have been covered.

Unfortunately for Mr and Mrs W in this instance, the catastrophic failure of the boiler is unlikely to have been caused by an *'escape of water'*. The failure was likely to have been due to wear and tear, age, and normal use of the boiler despite the recent service. I'm satisfied that Aviva has acted fairly and reasonably in the interpretation of its policy in the circumstances and that the boiler failure wasn't covered. Aviva said that if the burner had been water damaged, it could potentially have considered this aspect for further claim consideration under the *'escape of water'* peril. I consider that this was a fair interpretation.

Secondly, as to the extensive damage caused by the burst pipes, Aviva accepted that a valid *'escape of water'* event had occurred. It confirmed that *'We are satisfied that an insured peril has occurred and that there are no exclusions applicable'*. The issue for determination here however is whether Aviva fairly and reasonably applied its claims conditions in paying significantly less than Mr and Mrs W had paid their contractors for their work. Mr and Mrs W were clear throughout that they wanted to use the relevant contractors, as they'd used them previously and considered them to be reliable and that the work was of admirable quality.

Whilst it's entirely understandable that Mr and Mrs W would wish to use a contractor they trusted, by proceeding in this manner they hadn't tested other cheaper options or tested the service which was available through their insurers. Whilst I appreciate their reasoning, this meant that they hadn't obtained quotes from other contractors to show that their chosen contractor was competitive and reasonable as regards price. I also appreciate that Mr and Mrs W may not have been familiar with the insurance claims process. They may not have appreciated that Aviva wasn't required to pay out more than the amount it would have cost it to carry out works through its preferred supplier, as per the terms and conditions of the policy. I also note that Aviva only expressly informed them of the need for further quotes after the event. The claim notes show however that it was explained to Mr and Mrs W that it would be advisable to speak with Aviva before progressing works, to ensure there was cover and that payment would be authorised. Again, I understand Mr and Mrs W's frustrations about the length of time the claims process took, and why they wished to urgently proceed with work. In the circumstances however, I consider that Mr and Mrs W were placed on

notice that contractors' costs wouldn't automatically be paid in full, and that the settlement amount would be dependent on the usual validation process.

I've also carefully considered all the available documentary evidence. This includes a detailed, itemised, and priced schedule of works provided by Aviva's loss adjuster. This makes it clear that the professional opinion was that the itemised work as authorised under the claim could have been carried out by Aviva's contractors for just over £7,500. I have no doubt that Mr and Mrs W's contractors carried out work promptly and that the work was of a good quality. I also appreciate that the need for further quotes hadn't been spelt out by Aviva prior to Mr and Mrs W's contractor proceeding with work. However, Mr and Mrs W have been unable to evidence that they'd sourced the authorised works at the most cost-effective price, to counter the more persuasive priced schedule of works provided by Aviva.

I note that opportunities were provided for Mr and Mrs W's contractors to provide a detailed, itemised, and priced schedule of works, similar to that produced by Aviva. I've noted that the contractors did provide a list of the works they carried out and that this was produced on official headed paper. Unfortunately, each item wasn't separated out and individually costed as to labour and materials. In the circumstances, it's not been possible to compare the detailed, priced schedule produced by Aviva with the more limited information provided by Mr and Mrs W's contractors. I therefore find the Aviva schedule of works to be persuasive in relation to what would be fair and reasonable costings for works authorised under this claim.

Finally, in relation to the service aspects, I note that Aviva accepted that an initial loss adjuster appointment was cancelled at short notice. It also accepted that the standard of its communication was not as it should be. It therefore awarded compensation of £250 by way of further apology for these aspects. I agree that this was a fair level of compensation which accords with the service's guidance. In conclusion, I appreciate that this will come as a great disappointment to Mr and Mrs W. I also appreciate that they've clearly had to endure a very difficult ordeal. However, I'm satisfied that Aviva considered Mr and Mrs W's claims fairly, reasonably and in accordance with the terms and conditions of the relevant policy terms.

My final decision

For the reasons given above, I don't uphold Mr and Mrs W's complaints and I don't require Aviva Insurance Limited to do anything else in response.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 14 October 2023.

Claire Jones
Ombudsman