

The complaint

Mr E complains that Great Lakes Insurance SE declined a claim he made under his home insurance policy for subsidence.

Reference to Great Lakes includes its agents and representatives.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- Mr E bought a property in 2018 and took out home insurance for it, underwritten by Great Lakes. He got in touch with it to make a claim in 2020 after noticing crack damage to the garage and the utility room extension. After some investigation, the claim was declined on the basis the damage began before the policy started.
- A complaint was referred to this Service. An investigator said it was reasonable for Great Lakes to decline the garage damage for this reason – but not the utility room damage. Great Lakes offered to have an independent review carried out about the cause of damage to the utility room. Mr E accepted this.
- The independent review was carried out by a company I'll call B. After further investigation, B said the damage to the utility room had been caused by subsidence as a result of inadequate foundations – which isn't covered by the policy. It said the foundations didn't comply with guidance provided by a builder of new homes, N.
- Mr E made a second complaint. He said N's guidance wasn't relevant and the pre-purchase survey didn't mention a problem in 2018. Great Lakes maintained it had fairly declined the claim based on the depth of the foundations. However, it accepted it had taken too long to reach that position and paid £150 compensation.
- Our investigator thought Great Lakes had acted fairly in relation to the second complaint. Whilst he agreed reference to N's guidance wasn't relevant, he said it had shown the foundation was inadequate given how shallow it was. And he thought the compensation paid for the delay was reasonable.
- Mr E didn't think this was fair, so the complaint has been passed to me.

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 E's first complaint was resolved when he accepted Great Lakes' offer to review the cause of damage to the utility room. So I won't be reconsidering the first complaint. I'll only consider the second complaint, the crux of which is Great Lakes' decision to decline the claim for the utility room damage. And the way the claim was handled since the offer was accepted in March 2022.

- The policy covers damage caused by subsidence, but not where that's the result of poor design. Great Lakes accepts the damage was caused by subsidence. But it says this was the result of poor design based on the depth of the foundations.
- B's ground investigation found the utility room extension had a foundation of 95mm. It noted the adjoining kitchen extension had a foundation of 1,500mm. It said N's guidelines would suggest the utility room foundation ought to have been at least 1,000mm. And it thought 1,500mm would have been more appropriate in order to avoid differential movement between the two structures.
- There's nothing to suggest the utility room extension was built under the supervision of N, so I don't think its guidelines had to be followed by the builder. But it's reasonable to expect the foundation to have been built to an appropriate depth, based on the best practice of the time – which I understand was the early 90s – together with the specific site conditions.
- Standards at that time suggested foundation depths significantly greater than 95mm to avoid the risk of foundation movement. I bear in mind 95mm is a similar depth to a typical paving slab. That's highly unlikely to be a suitable foundation for a single-story brick structure by any standards. I also understand it's long been considered best practice to avoid or limit the risk of differential movement between two adjoining structures by building them with the same or similar foundation depths. So even if N's guidelines are disregarded, as I think they should be, I'm satisfied the utility room was poorly designed bearing in mind the best practice at the relevant time and how shallow the foundation is.
- That means Great Lakes was entitled to decline the claim by relying on the policy term for poor design. Mr E has questioned whether this would be fair, given he wasn't aware of any such problem when he bought the property. He had a pre-purchase survey carried out by a reputable surveying company and, relevant to this claim, it said: "There is a utility and wc to the side of the property. It is built of brick and has a felt covered roof. The utility / wc is satisfactory for its use".
- I can understand why those comments wouldn't have given Mr E cause for concern about the utility room. But I haven't seen any evidence to suggest Mr E was actively told the utility room extension was constructed to appropriate standards, such as Building Control approval or similar, when he bought the property. So I don't think this means it would be unfair for Great Lakes to rely on the poor design term.
- Given the age of the utility room extension, if it had stood damage free for all that time and/or it was only damaged recently because of something which couldn't have been foreseen when the foundation was built – such as a drainage leak – then I may find it fair for Great Lakes to accept the claim. But I haven't seen any evidence to suggest either situation has arisen here.
- For the reasons above, I'm satisfied it was fair for Great Lakes to decline the claim because of the poorly designed foundation.
- It's always disappointing to see avoidable delays. But especially so in these circumstances, where part of the claim was initially declined unfairly, and Great Lakes offered to take further steps to consider the claim fully. It had a duty to consider the claim promptly and it didn't do so.

- So I think it was fair for Great Lakes to acknowledge its failings and pay compensation. I'm satisfied £150 is a reasonable amount for the impact of the delays since March 2022.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 17 November 2023.

James Neville
Ombudsman