

The complaint

Mr and Mrs M have complained that AA Underwriting Insurance Company Limited ('AA') declined a claim under their home insurance policy after a leak occurred at their home.

What happened

Mr and Mrs M suffered an escape of water from a pipe feeding the shower in their en suite bathroom at their home in July 2022 and reported the matter to AA. Mr and Mrs M arranged for the leak and resulting damage to be fixed privately, as the repair itself wasn't covered under the policy and also due to the excess fee payable.

A dispute then arose with the contractor and Mr and Mrs M decided to make an insurance claim for the damage caused by the original leak. AA's surveyor assessed the repair in October 2022, but AA then declined the claim as Mr and Mrs M couldn't provide proof of the cause and the extent of damage caused at the relevant time. Following a complaint made by Mr and Mrs M, AA maintained its position and the complaint was referred to this service. Mr M has since carried out remedial works and has kept receipts amounting to around £3,500.

The service's investigator upheld Mr and Mrs M's complaint. He considered that Mr and Mrs M had followed the steps they would have been expected to follow. They'd also offered to expose the repaired pipework for a further assessment to take place. It was the investigator's initial view that AA should reassess the claim and pay £150 compensation for the distress and inconvenience caused. He recognised that AA needed to be able to validate claims, however he said that it was clear that Mr and Mrs M wouldn't be able to provide the information AA was asking for. The investigator said that exposing the pipework and showing the repaired area should enable AA to determine the leak's cause.

The investigator was subsequently made aware from both parties that M had already completed works on the bathroom and noted that it may not be fair to ask Mr and Mrs M to make a hole in the repaired bathroom to show the repair. He therefore revised his view and recommended that AA arrange for its surveyor to scope out the works. He thought that, based on his surveyor's findings, AA should settle the claim. If the relevant sum differed from that illustrated in an earlier report, the investigator considered that AA should explain and justify this to Mr and Mrs M.

AA disagreed with the investigator's view and the case has therefore been referred to myself 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 here is whether AA has fairly and reasonably applied the terms and conditions of the relevant policy in declining this claim. I conclude that AA hasn't acted in a fair and reasonable manner in all respects.

Mr and Mrs M described the events of July 2022. They said that a water leak had caused damage and tiles had come off a wall. They notified AA, but as the policy didn't cover fixing the water leak itself and the excess was £500 for resulting damage, Mr and Mrs M decided to arrange for the leak to be fixed and tiles to be repaired privately and they sourced a contractor through a trade checking service. Within a short period, the tiles started coming off the wall. They were then in dispute with the contractor, who refused to remedy this. Mr and Mrs M reported the matter to the trade checking service, and it sent out an engineer who condemned the work. Mr and Mrs M then tried to repair the tiles themselves but the damage was underneath the tiles and underneath the shower tray. AA then sent out an engineer who stated that the water leak had caused damage and also agreed that the repairs hadn't been carried out properly. Mr and Mrs M said that the contractor didn't give them a receipt for payment of £240 but they had phone records to show that they'd paid him.

Mr and Mrs M said they'd had communication difficulties with AA; *'Nobody will talk to us and we are going around in circles.'* They also said they'd offered to take tiles off the wall for damage to be inspected. They'd also sent a video and photographs, but AA still turned the claim down. Mr and Mrs M said they only wanted AA to pay for the damage caused by the leak and not for any other work. They felt the surveyor's report had clearly stated what needed to be done and that it would cost over £1,000 to repair the damage. They added that they hadn't been able to use the shower properly since August 2022 and this was the only shower in the house. They said that the episode had caused stress and inconvenience.

I now turn to what AA has said about the matter. It explained its claims process. Firstly, it said it would normally appoint a surveyor to attend the property and produce a report, with photographs of the damaged area. The report would then be reviewed to confirm cover, and to validate and settle the claim if appropriate, to allow damage to be repaired. It said that where any repairs are completed prior to a claim, the validation process would be reliant on photographs and reports from the date when the incident was assessed, and prior to repairs being carried out. AA said that although requested these items, they weren't supplied at the relevant time. It said that this hindered validation of the claim.

AA said that without this evidence, it was unable to validate the claim and accurately assess the level of any liability. It said that it did understand why Mr and Mrs M had the repairs completed privately however. It concluded; *'unfortunately, the AA have not been afforded the opportunity to inspect the damage to your property when the incident initially happened nor have they been provided with supporting evidence of this retrospectively.'* AA considered that the trade checking service should be dealing with liability, as the problem arose due to work carried out by one of its contractors.

In conclusion, AA said that its surveyor would need to determine whether the works completed by Mr M were necessary for reinstatement and to take a view on whether to settle where there was an inability to assess the original damage. It said that any settlement would need to be based on its rates and not for any upgraded items. AA had assumed that any reinstatement would be carried out by a qualified person who could professionally identify any damage caused by an insurable peril and accurate level of liability for reinstatement.

AA also produced helpful case notes for this matter. These showed that at the outset, it was recorded that the shower unit had leaked from behind the tiles, and that there had been damage to the bathroom floor and walls, damage to a plasterboard wall due to trace and access, and also slight damage to the ceiling in the dining room. The notes recorded the engineer's comments that Mr and Mrs M's contractor had apparently attended and repaired a pipe feeding the shower unit and that this was a concealed pipe.

The notes also showed that in November 2022, Mr and Mrs M confirmed that the leak had been fixed with a new washer. The contractor had taken no photographs of the faulty pipe

and the hole that was drilled had been filled in by this time. They confirmed that the damage being claimed related to the original leak only but that the plaster and tiles needed to be totally removed and replaced due to the water ingress from the leak. Finally, the case notes showed that AA considered that it wasn't liable for any poor workmanship completed by failure to let the area that was originally wet, dry out sufficiently and AA felt it had no way of knowing what was damaged originally, as Mr and Mrs M went ahead with the repairs.

I now turn to the professional reports which were supplied in this case. These are dated October 2022. The relevant surveyor noted that the bottom two rows of tiling in the shower were loose and provided high moisture readings. Mr and Mrs M had informed the surveyor that their contractor had re-seated tiles onto wet plaster and the tiles had not bonded to the wall. Also, the bathroom floor under the shower tray was soaked and this had since been tiled over. Damage had occurred to the plaster where the contractor carried out trace and access to repair the defective pipe work. Slight staining had occurred to the ceiling below. The surveyor concluded that to reach a pre-loss condition, the shower tray and cubicle would require removal to aid drying. The affected area of wall tiles should be removed, and the plaster hacked off before re-instatement with skim finish and re-tiling using existing tiles. The floor tiles also needed to be replaced. Finally, the airing cupboard required skim finish and painting and the dining room ceiling required stain block and painting. The surveyor considered the cost of rectification to be just under £1,100 and then revised this to £1,400.

The starting point for this final decision is the wording of the policy document. Mr and Mrs M were covered in principle at the relevant time for any damage caused for an 'escape of water' event, as in this case. There are standard exclusions and conditions in the AA policy, and the matter considered by AA to date is the question of whether Mr and Mrs M provided sufficient evidence to validate the claim. Under the heading '*How we will settle your claim*' it states; '*At our option we will...repair or rebuild the damaged part using our suppliers; or...make a cash payment if you wish to use your own supplier. If we make a cash payment, we will only pay you what it would have cost us using our suppliers*'

AA has a standard claims process and customers are expected to co-operate with the insurer to ensure that its reasonable claims processes are followed. In this case, I consider that Mr and Mrs M would probably have been covered for damage caused by the leak had they pursued a claim at the outset. I can understand however why Mr and Mrs M thought that the leak and any consequential damage could be quickly and cheaply repaired, without the need to claim under their insurance policy. From the surveyor's reports produced in October 2022, it became clear that the repair cost would exceed £1,000, and so the damage may have been more extensive than initially thought and they approached AA for assistance. This meant that AA couldn't go through its standard claims' process, and it didn't have the opportunity to check the initial damage, or to use its own suppliers. It had however been made aware of the potential issue from the outset.

I'm satisfied from the evidence of discussions with AA and Mr and Mrs M's contractor that a leak occurred and caused damage to their home. Neither the contractor nor AA's surveyor confirmed the cause of the leak. The video produced by Mr and Mrs M does show an exposed pipe and damage. Whilst I don't find this evidence to be persuasive as to the cause of damage, from the evidence of discussions with AA and also with their own contractor, on the balance of probabilities, I consider it likely to have been caused by a failed pipework connection to the shower which Mr and Mrs M's contractor attempted to fix.

I note that AA adopts a process if repairs are completed prior to the reporting of an incident, and it then requires photographs of the original leak and damage and a cause of damage report. It therefore concedes that retrospective claims may, in principle, be processed by AA. Here however, I agree that AA was hindered in its validation of the claim, as its unclear whether the photographs and video were taken prior to the leak being fixed by Mr and Mrs

M's contractor and he produced no report on repairs carried out. However, I understand the reason why this didn't happen as their contractor had provided a poor service in general.

I'm satisfied however that Mr and Mrs M did what they could to subsequently report and rectify the unfortunate chain of events. Whilst AA's processes were hindered, I don't consider that it was entirely prevented from conducting its processes after the event. Its surveyor was able to produce a report to note that a pipe leak had occurred and confirm the remedial work which would be required. In the circumstances, and on the balance of probabilities, I consider that if AA had sent its surveyor at the outset, it's very likely that the work he later identified as needing to be done, would similarly have needed to have been done at the outset. I also consider it likely that the damage would probably have cost over £1,000 to repair and that AA would have been required to process and settle the claim.

I note that Mr M ultimately completed the works himself, and had receipts amounting to around £3,500, however I don't consider that AA should be required to reimburse this amount. The video supplied by Mr and Mrs M appeared to show that general renovation works were being carried out in the bathroom at the relevant time, and the policy clearly doesn't cover such work. AA should therefore be required to settle the claim for any damage caused by the original leak. I appreciate that the extent of this damage is difficult to pinpoint. AA's surveyor stated in October 2022 that remedial work would cost nearly £1,400 (less the excess of £500). The remaining question is how much of this work would have been necessary in any event as a result of the leak, to bring the bathroom back to its existing condition and how much was due to the defective work of Mr and Mrs M's contractor.

Again, on the balance of probabilities, I consider it likely that the work identified by the surveyor would have been required in any event to rectify the damp issues and damage caused by the leak. That is, the shower tray, cubicle and wall tiles would have needed to have been removed to aid drying. The plaster would need to have been hacked off before re-installment. The airing cupboard and ceiling below would also have required attention.

In conclusion, whilst this is a finely balanced decision, I consider that a fair and reasonable outcome to this matter would be for AA to cash settle this claim in the sum which would have been paid had the works been completed by AA. I consider this to be likely to be the sum of just under £1,400, less the excess sum of £500. If, having reviewed the matter, AA's surveyor considers that the cash settlement should be different to this figure (if for instance his previous calculation included a sum to remedy the contractor's defective work, or if the trade checking service or its insurers has already paid out to cover the relevant work), then AA must explain and justify this in writing to Mr and Mrs M.

I also consider that AA should pay Mr and Mrs M £150 in compensation. I agree with the investigator that AA should have reassessed the claim in November 2022 in the light of its surveyor's findings. This sum is in line with the modest compensation which the service expects for inconvenience caused in such circumstances, and which is recognised to be over and above the distress and inconvenience caused by the leak itself and defective work by their own contractor, for which AA cannot be held responsible.

My final decision

For the reasons given above, I uphold Mr and Mrs M's complaint and require AA Underwriting Insurance Company Limited to do the following within 28 days of Mr and Mrs M's acceptance of this final decision,

- Pay Mr and Mrs M a cash settlement if appropriate, to be determined by AA in accordance with the methodology contained in this final decision letter.

- Pay £150 in compensation in any event for the inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 20 September 2023.

Claire Jones
Ombudsman