

The complaint

Ms K and Mr W complain that Accredited Insurance (Europe) Ltd unfairly declined a claim they made under their home insurance policy.

Accredited is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As Accredited has accepted it is accountable for the actions of the agents, in my decision, any reference to Accredited includes the actions of the agents.

What happened

In January 2023, Ms K and Mr W took out a home insurance policy with Accredited. They told it they were buying the property they were insuring but hadn't completed the purchase yet.

About a week later, Mr W went to view the property and discovered that an escape of water had caused significant damage. Ms K and Mr W made a claim under the policy and Accredited arranged for surveyors to assess the damage.

Accredited later told Ms K and Mr W it was declining their claim. It said that as the incident was prior to the completion date, their solicitor should have advised that the liability for the claim would have been with the previous owner's insurance company.

Ms K and Mr W made a complaint but Accredited maintained its position. So, they asked our service to consider the matter.

Our investigator thought Ms K and Mr W's complaint should be upheld. She recommended that Accredited reassess their claim and pay them £300 for distress and inconvenience.

Accredited disagreed with our investigator's outcome. It said it had in theory only a 10% liability and therefore felt that the ownership was with the seller of the property, and it would consider discussing with the seller's insurer this 10% element. It said it failed to see how it could be responsible for the whole claim as the policyholders had not completed on the sale when the incident occurred. So, the complaint has been passed to me to decide.

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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

The policy's terms and conditions say:

"We cover your buildings up to the sum insured shown in your schedule against loss or damage directly caused by the following covers. The loss or damage must take place in your home during the period of insurance."

It goes on to list the insured perils including “*escape of water or oil*”.

Accredited says that after exchange of contracts, the seller of the property still owns it, but the buyer is legally bound to complete the purchase. It says it is recommended that the buyer should take out insurance on the property from the date of exchange, but the seller should also still have insurance in place until the day of completion to cover any physical damage that may occur to the house just in case the buyer fails to complete.

Accredited says the buyer may not have responsibility for any loss to the property, but if the buyer is in breach of the terms of the contracts that have been exchanged there could be penalties that result up to losing their 10% deposit.

Accredited believes it has only a 10% liability. It says it would consider discussing this 10% with the seller’s insurer. But it doesn’t think it’s responsible for the whole claim.

Ms K and Mr W were advised to take out buildings insurance to cover them from the date of exchange of contracts by their solicitor who said:

“The risk for the property will pass to you on exchange of contracts and therefore you should be sure that you take out insurance policy on the day that contracts exchange.”

There’s nothing in the policy documentation to suggest Ms K and Mr W wouldn’t be able to claim for damages to the property that occurred between exchange and completion, or this would be limited to 10%. Accredited says its decision to decline the claim was “*more of a general law / insurable interest stance*”. But I’m not persuaded that this was reasonable.

I’m satisfied that Ms K and Mr W’s insurance was in place before the insured loss is said to have occurred. And Accredited has acknowledged Ms K and Mr W told it they were buying the policy but hadn’t completed yet when they took it out. So, I don’t think Accredited acted fairly and reasonably when it declined Ms K and Mr W’s claim.

I appreciate that Accredited doesn’t think it should be responsible for the whole claim. It’s possible that it may be able to cover some of its costs from a third party. But I don’t think it would be fair for Accredited to only consider 10% of Ms K and Mr W’s loss, given what it says in the policy’s terms and conditions.

It was no doubt distressing for Ms K and Mr W to be told that their claim was declined. I understand they’ve had to go ahead with repairs whilst this matter has been in dispute. And I think this is likely to have caused them some unnecessary inconvenience. So, I think it would be fair for Accredited to pay them £300 to compensate them for the distress and inconvenience it’s caused them.

Putting things right

Accredited should:

- Reassess Ms K and Mr W’s claim, in line with the remaining terms and conditions of the policy and
- Pay them £300 for distress and inconvenience.

My final decision

For the reasons I’ve explained, I uphold Ms K and Mr W’s complaint and direct Accredited Insurance (Europe) Ltd to put things right by doing as I’ve said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K and Mr W to accept or reject my decision before 23 November 2023.

Anne Muscroft
Ombudsman