

The complaint

Mr P on behalf of W, a building management company of which he is a director, complains that he has been unfairly treated by his home insurer, Allianz Insurance Plc in reaching a fair and reasonable settlement of his claim for damage from an escape of water. Mr P is represented in his complaint but for ease I've just referred to Mr P.

What happened

Mr P lives in a block of flats. He claimed to Allianz for damage in May 2020 after mould was found in a common hallway outside his flat. He said a large amount of water was found under the floor of his kitchen and dining room. Mr P appointed a claims management company but didn't contact Allianz to get cover for tracing and accessing the leak.

Mr P used a leak detection firm to who dismantled a cupboard and removed floorboards. They found a leak from a kitchen waste pipe, which they fixed and provided a report which concluded that the flooring had been discoloured and would need to be replaced.

Allianz wouldn't confirm liability for the claim and challenged Mr P's scope of work and the drying out. Mr P appointed an expert to assess the damage in his flat. He said Allianz then changed its claims team and appointed solicitors and this made the claim process expensive and stressful. He said the upshot was that Allianz limited its liability to a small patch repair.

Allianz's loss adjuster said Mr P should have involved Allianz in decisions at the start of the claim. And it hadn't been necessary to lift all of the floorboards or break them. He also said it wasn't necessary to replace the kitchen units, bookshelves and wardrobes, or redecorate the entire property. Mr P said it was essential to see if there was more than a single leak and allowed drying out to take place straightaway. Allianz's loss adjuster met Mr P with their surveyor at his flat. He said the surveyor agreed his proposed scope of works and he was contact by a firm to arrange alternative accommodation during the repairs.

Mr P instructed a surveyor to assess the damage and repair costs, and said his report was in line with Allianz's original loss adjuster's report. Mr P said his floorboards were discoloured throughout his flat as a result of high moisture levels, not as a consequence of a leak from the flat above as suggested by Allianz's second loss adjuster. Mr P said his surveyor thought further floorboards should be lifted so that more moisture readings could be carried out.

Mr P was very upset by Allianz's decisions as he had a big hole in his floor awaiting repairs and little prospect of it being put right. Following a further inspection Allianz offered Mr P £8,000 for what Mr P described as '*a basic patch repair to our hallway floor and hallway cupboard only*', and what Allianz described as repairs required to repair the damage. Allianz then included a sum for two weeks alternative accommodation paying £10,400.

Mr P brought his complaint to our service, saying Allianz should replace all of his flooring and provide a fair settlement of his claim. He also wants Allianz to repay him for the costs of experts he employed and provide alternative accommodation during the repairs. He said Allianz should have made its payment to him rather than the building management company.

Our investigator recommended the complaint be upheld. He said the reports show the floor was damaged by water from below rather than above as one report suggested. He said Allianz should pay to repair the entire floor, but not replace above ground units. But as Mr P hadn't contacted Allianz about trace and access it shouldn't be responsible for the call out costs, but should pay Mr P for the expert reports and the cost of drying his flat out.

The investigator said Allianz caused delays with communication, repairs and the site visit. He said payment should have been made to Mr P. He said it's hard for Mr P to see why his claim is disputed as Allianz hasn't sent him its surveyor's report. And it should pay him £500 compensation for the stress he's been caused by its delays and lack of explanations.

Allianz accepted this outcome, but Mr P didn't. He asked for reconsideration of his costs for trace and access, the scope of work and to reinstate his flat to pre-leak condition, and for alternative accommodation. He accepted he should have contacted Allianz before paying to access the leak but said had he not done so, *'my leak would never be found and stopped'*. He requested payment of £950 for this at the rate a cheaper firm would have charged him.

Mr P said work based on the second loss adjuster's report wouldn't reinstate his flat to its pre-damaged condition as with the scope of work from the original loss adjuster. He said the second report incorrectly states that his built-in furniture has removable plinths and he concerned about damage and not having the entire floor replaced leaving it mismatched.

Allianz agreed to offer an independent surveyor to inspect Mr P's flat. This took place in April 2022 and the report recommended that furniture and units be carefully dismantled to allow the entire floor to be replaced. Mr P agreed to this approach but was concerned about mould. He didn't think £500 compensation was enough for the health risks and delays he's faced and suggested £2,000. Mr P requested an ombudsman review his complaint.

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.

I've looked carefully at Allianz's decisions and handling of Mr P's claim to see if it has acted in accordance with his policy and treated him fairly. In so doing I've looked at the expert reports and Mr P's comments and photos. From recent communications between the parties it appears that the repair work is agreed and ready to commence. And so I have concentrated on the remaining points of disagreement.

Mr P said if he hadn't arranged for trace and access work, *'my leak would never be found and stopped'*. I don't agree as this is routine work that insurers arrange for policyholders quickly to mitigate the damage for which they would then be liable. Mr P said it's unfair to suffer this loss, but it's also unfair for Allianz to pay much more than it would have cost via its own contractor. I've seen very small costs for this type of work, but it's not possible to know what Allianz might have paid. Mr P has acknowledged he should have involved Allianz in this work from the start. Not to have done so has prejudiced Allianz's position on managing the claim and its costs and I don't think it's fair to require Allianz to pay Mr P for this work.

I can understand Mr P's concern about being left with mismatched flooring which might devalue his property. Allianz has said it will replace all of the flooring and I think this is reasonable and so I don't expect this to be an issue when the repairs take place.

Mr P was also concerned that Allianz's loss adjuster incorrectly thought that his built-in furniture and kitchen units have removable plinths. Since then the independent surveyor's report concluded that where necessary furniture would be replaced and a sum for repairs

has been allocated which reflects this. Our aim for all insurance repairs is that they restore a property to its pre-damaged condition and are carried out to an effective and lasting standard.

Mr P's policy covers him for the reasonable costs of comparable alternative accommodation while his home is uninhabitable, and storage of his furniture as required. This will be needed while the repairs are carried out and Mr P wants Allianz to assist him in making accommodation arrangements or making a suitable cash payment. It's not for us to say how much this should cost but we would expect Allianz to find alternative accommodation in accordance with his policy for the period he will be out of his home. I think this is likely to be for more than two weeks.

I agree with the investigator that the expert reports Mr P obtained have influenced the direction his claim has taken, and it is fair that he should be reimbursed for them by Allianz. This includes the fee of £540 to a restoration firm and £840 to a firm of property consultants. I'm pleased that Allianz has agreed to this and should make payment if it hasn't already done so.

Allianz has been responsible for delays, which it has acknowledged, but it's not responsible for all of the time the claim has taken. Mr P has also mentioned the health concern of living with mould. However, he first mentioned this to Allianz in May 2022 and so there's no reason for Allianz to have acted differently and no evidence of adverse health impacts. And so I agree with the investigator that Allianz should pay Mr P £500 compensation for the distress and inconvenience he has suffered as a consequence of its poor communications and delays. Allianz has agreed to this and should make payment if it hasn't already done so.

Any new issues to do with the repairs or mould that may arise can be brought as separate complaints by Mr P if he is dissatisfied with how the claim is finalised by Allianz. If Mr P does make a further complaint, he can refer his complaint to our service once he has received a final response from the business.

Mr P has asked for payments to be made to his representatives as per the details provided to Allianz and I think this is reasonable.

My final decision

For the reasons I have given above it is my final decision that the complaint is upheld. I require Allianz Insurance Plc to reimburse Mr P for the costs of his professional reports as set out above together with interest at 8% simple payable from the date of his payment to when Allianz pays him. I also require Allianz Insurance Plc to pay Mr P £500 compensation for the inconvenience and distress he's been caused by its poor and delayed handling of his claim.

I hope the repairs proceed quickly and to a satisfactory outcome.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P on behalf of W to accept or reject my decision before 25 August 2022.

Andrew Fraser
Ombudsman