

## The complaint

Mr F complains about the settlement offered by Allianz Insurance Plc after a claim was made under a commercial insurance policy, as well as delays.

## What happened

Mr F holds a commercial insurance policy with Allianz. This covers a number of properties on a site, including a clubhouse and a residential bungalow.

In February 2020, a storm caused damage to both the clubhouse and the bungalow. Mr F initially notified Allianz that he wanted to make a claim, but then withdrew this as he thought the repair costs would be less than the £10,000 excess. He therefore arranged his own repairs, but reopened the claim in August 2020 when he became aware that the costs would exceed the excess. The repairs cost over £100,000.

Allianz didn't think all the repairs were related to damage caused by the storm. It offered Mr F a settlement of £12,312.34, less the £10,000 excess.

Unhappy with this, Mr F complained about the settlement and the time taken for Allianz to deal with the matter.

Allianz didn't increase the settlement offer, but it did accept there had been delays after the settlement had been offered to Mr F. It offered him £500 compensation for this. Mr F remained unhappy and so brought a complaint to the Financial Ombudsman Service.

Our investigator didn't recommend the complaint be upheld. She said Mr F hadn't shown that the repairs he was claiming for were all related to the storm damage. She therefore concluded that Allianz's settlement offer had been reasonable. The investigator agreed there had been delays, but thought Allianz's offer of compensation had been fair.

I issued a provisional decision on 30 January 2024. Here's what I said:

*'The policy explains that Allianz will pay for damage to a property caused by an insured event, which includes a storm.'*

*Allianz's loss adjuster visited the site in August 2020. They said Mr F explained that when the storm happened, the flat roof of the clubhouse was torn from its position, and the pitched tiled roof of the bungalow was also severely damaged. A temporary repair was carried out to both roofs. Permanent repairs were then completed to the clubhouse, and the permanent repair to the bungalow roof was taking place at the time of the loss adjuster's visit. They said the clubhouse roof had been entirely replaced, and the ceiling above the seating area would need to be removed and reinstated. Regarding the bungalow, they said the roof would need to be replaced entirely, and that every room internally had been extensively damaged by rainwater and would require wholesale reinstatement (including re-wiring the electrics, replastering of ceilings and walls, replacement doors and kitchen etc).*

*The loss adjuster visited Mr F again in early 2021 to obtain more details about the repairs.*

Mr F advised the loss adjuster that the work to the bungalow included adaptations made for a family member's disability (including widening the doors, removing a wall and converting a bathroom to a wetroom). Mr F didn't know why the contractors thought it was necessary for new electrics, gas and plumbing systems to be installed. Mr F confirmed that some other work wasn't related to the claim, which included installation of cable ducts and repairs associated with a sewage chamber. Mr F explained he'd attempted to obtain a detailed breakdown of the costs from the contractors, but they hadn't been cooperative. The loss adjuster therefore recommended a surveyor be appointed to review the evidence and make enquiries with the contractors.

I've read the surveyor's report of 19 May 2021. He provided historical images of the bungalow before the storm which he thought suggested that the roof had been in need of repair. He commented on sagging gutters, uneven hips and gaps, as well as spacings in the roof slates. The surveyor referred to the invoices and noted the actual damage to the roof was reported as being missing and broken slates in a number of areas and deteriorated underfelt. He thought this description was indicative of the general condition of the roof seen in the historical photos, and the storm had exposed the underlying condition of the roof.

Regarding the clubhouse, the surveyor said that flat roof damage usually occurs due to age and condition. He said that as the clubhouse had a separate pitched roof, it was unlikely that any significant damage would have happened to this because of the flat roof failure. He thought damage to roofs that resulted in simultaneous whole removal and replacement of both flat and pitched roofs was unusual. He also said the description of damage suggested the property was subjected to a significant ingress of water that affected all internal areas, and that the delay in undertaking the repairs almost certainly resulted in significant claim costs.

The surveyor considered all the invoices provided, and estimated how much of the damage was related to the storm. He concluded that £10,704.34 was payable, though this was later increased to £12,312.34. As this figure was significantly below the amount spent on repairs, Mr F's representative requested that an independent surveyor be appointed (that I'll call C). Allianz agreed to this.

C's report is essentially an historical schedule of works with costings. C said the valuation total was £122,603. Though the report included statements from some of the contractors that can be summarised as follows:

- An electrician was made aware of a problem over the weekend of 8/9 February 2020 stating the roof had blown off the clubhouse and the roof on the bungalow had sustained a large amount of damage. He went to the site to make the electrics safe. The clubhouse roof had peeled back, and work was taking place to make it safe. However, in the bungalow every room was affected by water ingress. The boiler was flooded. He returned after lockdown had lifted and the property had to be rewired and a new boiler was needed.
- A building company said they went to the bungalow in August 2020 to carry out works to an unstable chimney. They also carried out some door repairs and replacement of doors which had been removed, and carried out decorating.
- A roofing company said they attended after being called by Mr F on 9 February 2020. In the clubhouse there was some water ingress to the interior. They said the bottom of the flat roof had blown off and up against the pitched roof causing damage to the slates and battens (the battens were damaged due to inadequate roof rafters). They carried out temporary repairs. Regarding the bungalow, there were missing and broken slates in a number of areas, and the underfelt had ripped off and deteriorated. Water ingress had taken place.

- Another building company said they inspected the property after lockdown had lifted, and all rooms were affected with black mould and the property was uninhabitable. The kitchen tiles were lifting, and cabinets were damaged by water. Also, doors, architrave and skirting were water damaged.

### My conclusions

When I look at a storm claim complaint, there are three issues I consider:

1. Do I agree that storm conditions occurred on or around the date the damage is said to have happened?
2. Is the damage claimed for consistent with damage a storm typically causes?
3. Were the storm conditions the main cause of the damage?

There's no dispute that a storm took place, as there were very strong winds. I'll therefore consider point two.

For the clubhouse, the flat roof and pitched roof were both affected. A contractor describes part of the flat roof blowing up and against the pitched roof, causing damage there too. Given the strong winds, I can see how the flat roof could have blown off and then in turn caused some damage to the pitched roof. Though I think the loss adjuster makes a reasonable point that the need to completely remove and replace both a flat and pitched roof would be unusual.

For the bungalow, a contractor said there were missing and broken slates in a number of areas. I think this would be consistent with damage a storm typically causes. However, I wouldn't expect the entire roof to require replacement because of a storm. I also wouldn't expect the storm to affect the stability of the chimney stack.

Turning to point three, the loss adjuster has provided photos which I agree does show that the bungalow roof was in need of repair before the storm. Taking this into account (and that the entire roof needed to be replaced, which as I've said, I wouldn't expect to be needed as a result of a storm), I think it was reasonable for the loss adjuster to conclude the storm had exposed the underlying poor condition of the roof, as well as the chimney stack. So I don't think the storm was the main cause of damage to the bungalow roof.

Allianz couldn't confirm the existing condition of the clubhouse roof, as the repairs took place before Mr F wanted to continue with the claim. I think Mr F prejudiced Allianz's position here, as it couldn't properly assess whether the damage was caused by the storm, or if it was already in poor condition and the storm merely highlighted this. Also, the contractor said the roof rafters were inadequate and led to the battens being damaged. So I don't think Mr F has shown that the storm was the main cause of damage to the clubhouse roof.

Nonetheless, Allianz agreed to pay a contribution of around £4,000 for roof tiles, battens, breather membrane and fixings. That was up to Allianz. I don't require Allianz to pay further costs towards the roof repairs.

I've also considered the interior damage to both properties. I see that the policy covers accidental damage. The policy doesn't specifically define what's meant by that, so I think the ordinary meaning would apply. I think that means something unforeseen and unintentional.

The contractors that attended soon after the storm said that the clubhouse and bungalow were both affected by water ingress after the roofs were damaged. I think this would be considered unforeseen and unintentional.

*Whilst temporary repairs took place to the roofs, the interior repairs didn't take place for some time. That's because the country was affected by lockdown due to the Covid-19 pandemic. It seems the delay caused more damage, due to mould etc.*

*Whilst I appreciate Mr F delayed proceeding with the claim under the policy, it seems to me that even if the claim had been made in February 2020, then Allianz wouldn't have been able to proceed with the interior repairs until lockdown had been lifted. So I don't think Allianz was prejudiced here.*

*Although the clubhouse roof had been replaced when the loss adjuster visited the site in August 2020, the interior repairs to both properties hadn't been done at that point. The loss adjuster observed the significant water ingress to the bungalow in particular, and said the rooms would require wholesale replacement.*

*So it seems to me, a fair resolution here would be for Allianz to cover the cost of the internal repairs, as set out by C. Whilst I note Mr F made some adaptations and improvements to the property when the repairs were being done, it seems C didn't include the cost of those in the report.*

*I'm intending to require Allianz to pay a cash settlement based on C's estimates rather than actual invoices, as the invoices would include other work that Mr F had done. In these circumstances, I think the fairest approach would be to require Allianz to pay interest from the date of C's report, rather than the date Mr F paid the invoices.*

*Allianz accepted it caused delays after it had agreed for an independent surveyor to be appointed. I would agree with this, but I think the £500 compensation offered for the delay was reasonable. It's not clear if this has been paid. However, I do think Mr F has been caused unnecessary worry about this matter, particularly given the significant amount he's paid for the interior repairs. I intend to require Allianz to pay him an additional £350 compensation for this.'*

I asked both parties for any further comments they wanted to make before I made a final decision.

Mr F's representative responded with the following main points:

- He thinks the surveyor has overemphasised the condition of the bungalow roof prior to the storm. Though he agrees it wasn't in perfect condition and the repairs likely did involve works not directly due to the storm.
- There is no evidence to suggest that the flat roof was in a poor condition. If a flat roof is lifted by storm winds and this then impacts the slope of a pitched roof, the flat roof will need replacing as will a percentage of the pitched roof.
- He thinks it's unjust for all the roof repairs to be excluded, and says damage would have occurred even if the roofs needed no maintenance. He thinks 50% of the cost of the roof repairs should be paid.
- He thinks 20% should be added to the agreed costs as Mr F isn't able to recover the VAT element.
- He doesn't agree that interest should be paid from the date of C's report as Mr F incurred costs before this date. He suggests the date should be 1 January 2001 (though I assume he means 2021).

Allianz responded to say it accepts my provisional decision to cover the internal repairs, plus interest. It also agreed to pay £850 compensation.

## **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 remain of the opinion expressed in my provisional decision. I'll explain why.

- I accept we don't know the condition of the flat roof prior to the storm. However, as I've said, I think Allianz's position was prejudiced by Mr F arranging the repairs before Allianz could carry out an inspection.
- I can't conclude, based on the available evidence, that the damage would have likely occurred even if the roofs had been in good condition. The information from the surveyor supports that the bungalow roof was in need of repair before the storm, and we don't know the condition of the clubhouse roof. Taking all of this into account, I remain satisfied that Allianz doesn't need to cover the cost of the roof repairs.
- I explained in my provisional decision why I thought Allianz should pay interest from the date of C's report, rather than the dates Mr F paid the invoices. His representative has suggested using the date 1 January 2021, but I don't know that Mr F had paid for all the repairs by this point. Also, I'm requiring Allianz to pay the settlement based on C's estimates, and so in these circumstances, I remain of the view that interest should be paid from the date of C's report.
- Mr F's representative says that one of Mr F's businesses is VAT registered, but the clubhouse business is not. And so he cannot recover the VAT element paid for the repairs. I note that C's costings didn't include VAT. Though it's also the case that not all of the contractors that did the repairs were registered to charge VAT. Our usual approach in such circumstances is that where a consumer has already had the work done and can show they paid VAT, then an insurer should include this in the cash settlement. I think that seems fair here.

## **My final decision**

My final decision is that I partly uphold this complaint. I require Allianz Insurance Plc to do the following:

- Cover the costs of the interior repairs to both the clubhouse and bungalow based on C's costings. It can take into account the excess, as well as any payments already made. If Mr F can show he paid VAT on the interior repairs, then 20% should be added to the estimated costings prepared by C.
- Add interest to this at 8% simple per annum from the date of C's report to the date of settlement\*.
- Pay £850 compensation in total (less £500 if this has already been paid)\*\*.

\* If Allianz considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr F how much it's taken off. It should also give Mr F a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

\*\*Allianz must pay the compensation within 28 days of the date on which we tell it Mr F accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year

simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 11 March 2024.

Chantelle Hurn-Ryan  
**Ombudsman**