

The complaint

Mr S complains that Allied World Assurance Company (Europe) dac (“AWAC”) has offered an unfair settlement following a claim he made under his Residential Landlord Property Owners insurance policy, for damage caused by an escape of water.

What happened

Mr S owns a property which he rents out. In 2023 the property suffered an escape of water and Mr S made a claim to AWAC.

AWAC considered the claim and made offers which Mr S didn’t accept, ultimately offering £10,500. This included the cost of replacement of two damaged kitchen units and worktops, flooring, and refitting of the rest of the kitchen. It also included £2,500 for alternative accommodation for Mr S’s tenants during rectification works.

AWAC also said it would consider making a 50% contribution towards reasonable costs in relation to replacement of the rest of the kitchen units, as matching items couldn’t be sourced.

Mr S didn’t think the offer was reasonable, so he complained. He said the offer wouldn’t be enough to put the kitchen back into the condition it was in previously for his tenants, before the leak occurred, because AWAC hadn’t factored in other areas of damage to the kitchen. He also said that the delay in getting AWAC to agree to a fair offer meant the damage was now much worse and the property had now become a safety hazard for his tenants.

AWAC said its offer was fair based on the information it had received from Mr S. So Mr S referred his complaint to this service. Our Investigator considered the complaint, but didn’t think AWAC needed to do any more based on the available evidence. Because Mr S didn’t agree with our Investigator’s view, the complaint was passed to me to decide.

I issued my provisional decision on 11 January 2025. I’ve included an extract from it below:

“The crux of this complaint is the disagreement over the settlement that’s been offered. Mr S doesn’t believe this will put the kitchen back to the condition it was in prior to the leak and he says the property is now unsafe for his tenants who should be in alternative accommodation immediately and for the duration of the time it takes to carry out the works.

AWAC has said it has inspected the kitchen and the costs put forward by Mr S are too high. It’s also said that the quotes include items not covered by the policy because the entire kitchen isn’t damaged.

The policy covers Mr S for escape of water. And AWAC’s obligations under the policy include, in the event of a valid claim for loss or damage to buildings or contents, deciding whether to settle the claim by either rebuilding, repairing or replacing damaged parts or items, or by paying the cost of the damaged part or item.

I'm satisfied Mr S has made a valid claim that's covered by the policy. But, I'm not currently persuaded that AWAC has met its obligations under the policy. I say this because it's current offer includes the cost of two units. But from the evidence I've seen, the kitchen is in a poor state, with more than two units having bowed and lost their structural integrity, and areas of mould developing. It's possible that the damage has got worse over time, or that areas of damage were missed when AWAC inspected. In any event, there is a significant difference between the evidence provided by both parties. So I consider the best way forward to be for the parties to arrange a further visit to the property, in order to ascertain the current extent of the damage.

I've not seen enough evidence to say for certain that AWAC should pay for the entire kitchen, as it's not clear from the photos exactly how much of the kitchen is damaged. But I don't think AWAC's current offer goes far enough, given the scale of the damage I can see from the photos Mr S has provided.

It's clear Mr S has gone to considerable effort to obtain quotes for repair and I don't think it's fair to require him to provide further evidence, now that he's shown quotes which are broken down and itemised. It's possible AWAC hasn't seen the itemised quotes yet, but I don't think Mr S providing the quotes is the only option here. Mr S has also made it clear he's happy for AWAC to arrange the repairs themselves, which I think is reasonable if AWAC is willing to do this.

And from the evidence provided by Mr S, it appears as though the condition of the kitchen has worsened since this complaint was raised – with units bowing and losing their structural integrity. I've seen photos showing the extent of the damage, and together with the quotes for repair that Mr S has obtained, this persuades me that the settlement currently offered by AWAC falls short of what Mr S's policy covers. There is also an indication that the kitchen isn't safe for the tenants, and that the property is uninhabitable, as a letter Mr S has produced says they do not have adequate cooking facilities.

So I intend to require AWAC to arrange a further inspection of the kitchen, noting down the particular areas Mr S and his tenants have mentioned that are of concern. It would be helpful if Mr S could be in attendance at this inspection, as this will enable him to demonstrate the extent of the damage himself, in case anything is missed. I also think it would be best for both parties to take detailed photographs during the visit (in case a further dispute arises). A further schedule of works should then be agreed in a timely manner, with the work carried out either by AWAC's own contractors, or by contractors of Mr S's choice. This should also be agreed by the parties, but Mr S should be aware that the policy allows AWAC to choose how to settle the claim. If AWAC only chooses to cash settle the claim, then the amount paid should be in line with the quotes obtained by Mr S, not in line with how much it would cost AWAC to arrange the work.

AWAC's offer of a 50% contribution towards undamaged kitchen units is fair and reasonable, and in line with our usual approach to matching items. So I won't be requiring it to cover more than 50% of the cost of any undamaged parts.

Mr S's policy provides cover for temporary accommodation for his tenants until the property is fit for habitation. So AWAC should extend the alternative accommodation cover for Mr S's tenants for the period of time it takes to carry out the work – and if it finds upon inspection that there are any safety concerns which cannot be remedied as a matter of urgency, then it should arrange alternative accommodation straight away. I note that AWAC's current offer includes £2,500 towards alternative

accommodation for the tenants, and although Mr S provided quotes to AWAC for 14 nights' temporary accommodation, he has now said that won't be sufficient as the work is likely to take longer. It's difficult for me to conclude how long the work will take without an up to date inspection. So Mr S and AWAC will need to agree on an amount for alternative accommodation once the kitchen has been re-inspected and the work required has been agreed, with a reasonable timescale estimated.

Finally, I consider AWAC could've provided Mr S with a better service at certain points during the claim. I've taken into account that AWAC says there were times when Mr S didn't cooperate by not providing the full costs in the way AWAC asked for them. But Mr S says it wasn't clear what was needed as he thought he'd provided broken-down quotes, and I find his confusion understandable. I also think Mr S has made attempts to contact AWAC and has not always received adequate or timely responses, sometimes for many weeks. So, I'm minded to require AWAC to pay Mr S £100 compensation for the distress and inconvenience he's experienced as a landlord, as he's had to make an additional effort to try to sort things out, when I believe AWAC could've made a fair offer sooner and provided better service."

AWAC responded to my provisional decision and said, in summary:

- It hadn't seen the photos of the damage that were sent to us by Mr S.
- The offer of £8,000 in May 2024 was rejected and the damage has likely been exacerbated if the residual damp hasn't been addressed since then.
- The offer made was fair at the time and there was no evidence that an entirely new kitchen was needed.
- The quotes provided by Mr S were overscoped.
- Alternative accommodation for the tenants was offered for 14 days because the damage at the time was commensurate with that amount.

Mr S said, in response to my provisional decision:

- He didn't feel the current offer was fair because the kitchen is badly damaged as his photos show, and there might be more damage found once the flooring is removed.
- He isn't expecting an entirely new kitchen and is happy to pay the difference between what the policy covers and the additional amount that he'll need to pay for, for matching units and undamaged items.
- He understood that the kitchen had likely deteriorated somewhat over time due to the lack of repair. But the offer by AWAC doesn't fairly cover labour and materials.

Mr S also mentioned that he had been contacted about an inspection due to take place imminently, but was waiting for his tenants to get back from a holiday so that he could attend the inspection. I've considered what both sides have said, and I've reached my final decision.

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, and having considered carefully the additional comments and evidence provided by the parties in response to my provisional decision, I've decided to uphold this complaint. I'll explain why.

I've looked at the images sent to me by AWAC as well as the loss adjuster's report. These

show kitchen units which are clearly out of place, a kitchen drawer that appears to have shifted out of place, damaged flooring, damage under the kickboards and what appears to be damage around some of the worktops.

I've also reconsidered what Mr S told us in his complaint form, dated 4 June 2024, and compared this to the images he's sent us. And I can see that the description of the damage he refers to in his complaint form is consistent with the photos he's provided. Mr S's photos are also more close-up, compared to the photos taken by the loss adjuster and AWAC, so the only detailed images I have showing the extent of the damage are Mr S's.

I'm still not satisfied AWAC's existing offers have been fair, as they've only offered the cost of two units and it's clear from Mr S's photos that more than two units have buckled due to the water damage, including the units around the oven and the units under the sink. As Mr S's photos were sent to us in June 2024, I'm satisfied he has sent photos from around the time the claim was made and not after significant deterioration occurred. In fact, it seems likely from the photos, as they were sent to this service in June 2024, that the additional damage was evident relatively soon after AWAC's May 2024 offer. So I don't consider Mr S has presented photos showing substantial further deterioration – and I think the evidence I've seen represents the true extent of the damage from around the time the claim was made. In any event, I consider the fairest way forward is for a further inspection to take place and a new schedule of works to be devised, with a new offer put forward.

In relation to alternative accommodation costs, as I've said in my provisional decision, I think the schedule of works compiled after the next inspection of the property will determine how long Mr S's tenants will need to stay in alternative accommodation. Once the inspection takes place, and works commence, if there are further areas of damage evident, for example once the flooring or units are removed, then Mr S will be able to raise these additional issues with AWAC and it should provide its reasonable response to any new aspects of the claim in a timely manner. If there are any further disputes following the inspection or the works, Mr S will be entitled to complain to AWAC again. I hope such a complaint will not be necessary and that detailed photos of the damaged areas at the next inspection will enable the parties to come to a fair resolution.

In light of this, I'm upholding this complaint in line with my provisional findings. Mr S should note that any further inspection may not result in a substantial increase in the offer made by AWAC, but I think that any reasonable increase in the offer, taking into account the additional damage I've noted, would represent a fair outcome in the circumstances.

Putting things right

Allied World Assurance Company (Europe) dac should do the following, to put things right for Mr S:

- It should arrange a further inspection of the insured property, preferably with Mr S in attendance, from which a final schedule of works should be arranged. Detailed photos should be taken by the parties at the inspection, in relation to all areas of damage caused by the leak.
- At the very least, this offer should include replacing the damaged flooring, all the damaged units and any damaged worktops. The damage appears to affect more than the two units currently included in the offer – so I think the next offer should include the cost of replacing at least three kitchen units, plus a 50% contribution towards the cost of any undamaged areas which will need to be replaced to maintain a matching kitchen.

- AWAC should arrange to either carry out those works using its own contractors or give Mr S the option to appoint his own contractors to carry out the works. If AWAC chooses only to cash settle, then the amount it should pay should be in line with any reasonable, itemised quotes provided by Mr S.
- If AWAC chooses to arrange the repairs itself, it should pay the reasonable alternative accommodation costs for Mr S's tenants, for the time it takes for repairs to be completed, subject to Mr S providing evidence of these costs. And if Mr S arranges the repairs himself, he must provide evidence to AWAC of the time it will take to carry out the repairs (which must be reasonable, in proportion to the work required) and Mr S must also give AWAC evidence of the alternative accommodation costs for that time period.
- If, upon inspection, there are immediate safety concerns for the tenants, AWAC should arrange temporary accommodation as soon as possible and before works commence.
- AWAC should pay Mr S £100 compensation for distress and inconvenience.

My final decision

My final decision is that I uphold this complaint and I direct Allied World Assurance Company (Europe) plc to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 February 2025.

Ifrah Malik
Ombudsman