

The complaint

Mr M is complaining about the amount Allianz Insurance Plc has said it would pay to settle a claim he made on his commercial property insurance policy.

Mr M has been represented by a third party throughout this claim and complaint. But for ease of reference I shall refer to anything the third party has said or done as being said and done by Mr M.

What happened

In November 2019 Mr M contacted Allianz to say his tenants had reported an escape of sewage from a property he rents out. And he said he wanted to claim for the damage. In September 2023 Mr M advised Allianz he'd entered into an agreement with a new tenant whereby they carried out all the repairs to the property in exchange for staying in the property rent free for 64 months. And he said the repairs had now been carried out. So he wanted Allianz to pay him around £46,000 which he said was his losses. He also provided a repair estimate of around £52,600 plus VAT which is what he said was the estimated repair cost. So he said he'd saved Allianz money by entering into the arrangement it did.

Allianz said it had advised Mr M in November 2019 it wanted to arrange for one of its contractors to carry out the repairs, but Mr M had declined this. It also said it had tried to contact Mr M over the proceedings months to pursue the claim, but he didn't provide the information it needed. It said it then asked Mr M to evidence the actual repair costs, but Mr M didn't provide this. It further set out its loss adjuster had inspected the property before the repairs started but thought the repairs would cost around £8,000. It estimated there would need to be around 17 weeks where the property wouldn't be usable. It said this would equate to around £8,500 in lost rent. So it said it would pay Mr M £16,500 less his excess of £500.

Mr M thought Allianz was being unfair and he didn't understand why it wouldn't accept the repair estimate he'd provided. He maintained he was out of pocket by around £46,000 but he'd accept £40,000 to settle the claim.

Our Investigator didn't uphold this complaint. He said Allianz only needed to pay what it would have paid to put things right. And he thought Allianz's settlement offer was fair. He said Mr M had advised he didn't have any receipts or other evidence to demonstrate his losses. He acknowledged Mr M's comments about why he'd gotten the work done privately, but he said he couldn't reasonably say Allianz's settlement was unfair without further evidence to show a timeline of the works with receipts/invoices.

Mr M didn't agree with the Investigator. He said it was common for insurers to request estimates and proceed on settling a claim on this basis. So he couldn't understand why it wasn't doing the same here. He said he'd had to get the works carried out himself due to the fact Allianz didn't do anything on the claim after November 2019.

Mr M said Allianz had put a reserve on the claim for £50,000 which was what the renewal premium was based upon. So he maintained Allianz had initially also estimated the repairs

to be around £50,000.

As Mr M didn't agree with the Investigator's opinion, the complaint's 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.

I've decided to not uphold this complaint and I'll now explain why.

Delays in handling the claim

Mr M has said he had no choice but to have the repairs carried out himself because Allianz didn't do anything with the claim since November 2019. But I don't agree.

I can see that Allianz's loss adjuster had several telephone conversations with Mr M between November 2019 and January 2020. The loss adjuster sent Mr M an email asking him to provide information to enable him to validate the claim – in particular a copy of the tenancy agreement, proof of last payment and contact details for the previous tenant. It seems the loss adjuster reminded Mr M several times that he needed to provide this information before the claim could progress, but Mr M never did.

I can also see that the loss adjuster asked Mr M at the start if he wanted Allianz's contractor to inspect the pipeline to ascertain the cause of the blockage. But Mr M said that he believed the liability for the damage sat with the water provider. I can see the loss adjuster later asked Mr M in one of the telephone calls if there was an update on the liability for damage, but Mr M said there wasn't one.

I've also noted that the loss adjuster asked Mr M to provide estimates for repairing the damage, but he didn't provide this at the time. I'm satisfied Mr M was reasonably aware in these calls that Allianz did want to progress the claim and what he needed to do to facilitate this. But he didn't do so.

Ultimately, I'm satisfied Allianz – through its loss adjuster – did look to pursue the claim, but Mr M didn't reasonably engage with Allianz. And it's for this reason that the claim didn't progress.

Claim settlement

Under the terms of the insurance policy Allianz was required to pay for the cost of reinstating the property when damaged from an insured peril. In this case, Mr M has said the water provider paid to fix the damage which caused the sewage leak. But there was some resulting damage from the sewage which he says he arranged to have fixed through the rental agreement.

However, I think Allianz had the right to settle the claim under the terms it wished. But it was prevented from doing so by Mr M having the works carried out. I note Mr M has said it's common practice for insurers to settle a claim on the basis of an estimate provided. I don't dispute that. But insurers will always consider an estimate against how much it reasonably estimated it would cost one of its contractors to carry out any work. And they wouldn't accept an estimate which is significantly more than it would cost to use one of its own contractors. In this case, Allianz's loss adjuster estimated it would cost around £8,000 to repair the damage.

I note Mr M has said Allianz initially had a reserve of £50,000 on the claim. The loss adjuster had an initial reserve of £31,500, but this included anticipated loss of rent and potentially any costs in assessing and rectifying the pipe issues. But this doesn't mean this is how much the claim would *actually* cost – merely the amount Allianz should put in reserve to cover all the claim liabilities. And it doesn't mean this is how much Allianz should now actually pay.

Ultimately, I've not seen anything to show the damage was so extensive to require such a high repair cost as Mr M is averring. And the photographs I've seen of the damage also don't show such significant damage to warrant a repair cost such as Mr M is claiming. Given this, I can't say it was unreasonable for Allianz to require Mr M to provide evidence of the *actual* costs or repair. Mr M hasn't provided this. And, given what I've said above, I can't reasonably require it to pay more than what it has said it would pay.

My final decision

For the reasons I've set out above, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 September 2025.

Guy Mitchell

Ombudsman