

The complaint

Mr F has complained about his let property insurer Allianz Insurance Plc. He's generally unhappy with how it handled and settled a claim he made for water damage.

What happened

Mr F let a property as office space. In summer 2023 water damage was found and the current tenants, paying £40,000 a year, left. Mr F made a claim to Allianz for water damage and lost rent. During the course of the claim, he evidenced that historically, the building had been re-let quickly and Allianz accepted that, but for the insured water damage, the property would have been re-let shortly after the tenant's departure in July 2023.

By late 2023 it was felt the property was dry and a cash settlement sum was negotiated and agreed, which Allianz paid (circa £325,000). This included one year's lost rent (at £45,000). However, the property was found to still be wet and, subsequently, Allianz and its drying company accepted there had been failings in the drying process. The drying company agreed to pay £15,000 for damages caused by its failures. Allianz agreed to make a further claim settlement for additional works needed to reinstate the property (£339,000) and to pay a further year's lost rent (a further £45,000).

Mr F was unhappy with what had gone on. He wanted answers as to why various failings had occurred and he felt Allianz's settlements for reinstatement work and lost rent were insufficient. In a final response letter (FRL) of October 2024, Allianz said it was satisfied by its settlements, but that £1,000 compensation was due, which it paid. It said that £1,000, along with the drying company's settlement, fairly made up for what had gone wrong.

Still unhappy, Mr F complained to the Financial Ombudsman Service. During the course of his complaint he told our Investigator he might be prepared to accept an additional £100,000 in settlement. He also said though, in July 2025, new tenants had been secured but he hadn't yet been able to finish the reinstatement work so they could start the lease. This meant his loss of rent was continuing past the point to which Allianz had paid lost rent to (July 2025).

Our Investigator was satisfied by the settlements Allianz had paid. He noted the claim had been delayed. But he felt, overall, Allianz had done enough to make up for that. So he wasn't minded to ask Allianz to do anything more.

Mr F was unhappy with our Investigator's findings. He said he hadn't agreed for items to be deducted (deductions which had generated the second settlement sum of circa £339,000). He maintained that whilst VAT had been paid by Allianz as part of its second settlement sum, it had not been paid as part of the first. Mr F said an agreement in principle for renting the property at a cost of £47,500 per year had, in 2025, been agreed. In summary, Mr F believed he was owed more by Allianz.

The complaint was referred to me for an Ombudsman's decision. I was minded to think Allianz' reinstatement settlement was unfair. But I was mindful that award limits which apply to this Service meant I would only be able to recommend Allianz makes further payment.

I wouldn't be able to require it to pay anything. So I issued a provisional decision to explain my views to both parties.

Having considered my provisional decision, both parties replied. Allianz offered some comment about the payments it had made. Mr F made some comments, including in respect of our award limit and VAT, as well as requesting further rent was paid. I've set out the parties' responses in more detail in my section below underneath each related heading.

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.

The parties might feel my findings are brief given everything which has transpired. However, I can assure both I've read and understood all their submissions. I've then tailored this decision to focus on my key findings on the issues I see as at the heart of the complaint. This is in line with the informal nature of our Service.

Our Award Limit

I explained provisionally:

"This Service can only make directions and awards up to certain limits set down in our governing rules (the Dispute Resolution Rules). For complaints referred to us after April 2024 but before April 2025 regarding acts or omissions which occurred post-April 2019, the rules say the maximum we can make directions on or awards for is £430,000.

That does not mean that we cannot consider a complaint which regards sums in excess of our limit. But it does mean that we can only recommend, not require an insurer undertakes additional actions and/or makes payments above that limit. And the rules say that an insurer is not bound to carry out a recommendation made by this Service.

Here Allianz has paid Mr F around £600,000 for reinstatement work and £90,000 for lost rent – both of which Mr F has said are insufficient. So Allianz' prior payments are taken into account, on this occasion, as part of the limit applying to my decision. In this case that means Allianz has already paid more than the limit I can make directions on or awards for. For Mr F's complaint then, where I find Allianz has failed him and needs to do something to put that right, I can only make a recommendation that it does so.

If I make a recommendation and Mr F accepts it, Allianz won't be bound to comply with that decision, in the way that it would a direction or an award. If Mr F accepts any final decision containing a recommendation, whether or not Allianz honours that recommendation, it's unlikely Mr F would be able to pursue Allianz in the courts for any sum he feels remains outstanding."

Allianz made no comment about this. Mr F said one claim resulted in two payments. With the second payment being necessary through no fault of his own.

From Mr F's response I note some level of disagreement with our award limit. Whilst I appreciate that, I can't change the limits which apply to this Service – or what I can do in terms of redress where our limit has already been exceeded.

Reinstatement settlement

I said provisionally:

“Allianz has paid Mr F, for insured reinstatement works:

- £280,000 in November 2023*
- £339,372.80 in August 2024*

The sum of £280,000 was paid in November 2023 as part of a payment totalling £325,545.57, where £545.57 was paid in respect of electricity usage to November 2023 and £45,000 was paid for one year’s rent.

The sum of £339,372.80 was paid in August 2024 as part of a payment totalling £354,372.80, where £15,000 of that sum was paid on behalf of the drying company, with Allianz and the drying company agreeing failures during the drying process had caused damage (a separate payment for another year’s lost rent at £45,000 was also made).

I know Mr F has been critical of the settlements paid by Allianz. But the first sum was a sum he negotiated with it, where it had considered costs for stripping and reinstating the property, available at that time and Mr F’s comments that he believed £300,000 was due. The later, August 2024, sum brought everything up to date, with additional work having been found necessary following the failed drying scheme and new tenders and quotes for works. The calculation behind the August sum also took into account payments that had been made in the interceding months, like Mr F’s surveyor’s fees. I’m generally satisfied by the settlements Allianz has made – it seems to have taken relevant documentation and evidence into account and, by and large, tried to meet Mr F’s requests. But there are some things of note which, for me, bring the fairness of Allianz’ settlement into question.

Allianz’ breakdown of its August settlement shows that a payment of £504 was taken into account to reach the settlement. But that sum seems to have been for its own building consultant’s fee. That is not something which should reasonably ‘come off’ any settlement sum owed to Mr F. So I intend to recommend that this sum is paid to Mr F, plus interest.

The August settlement was based, Allianz has shown, on what Mr F had said was his preferred quote for reinstatement, from a company I’ll call P’om. This quote totalled £498,432.97. Seemingly the work in this quote was largely accepted by Allianz as necessary insured work – but it did make some deductions for some items it seemed to think were not insured work. Namely: doors, fireplaces, cupboards and the fire alarm, totalling £49,965.57.

Allianz has not set out any clear reasoning in its file for deducting the sums associated with these items. It is up to Allianz to show its settlement was fair. However, I do see that the fireplaces and cupboards were some of the items listed as damaged by the drying company which were put forward as part of the negotiations which led to the settlement paid by the drying company. So that might be a reason why Allianz doesn’t feel it should pay more for these items. And I’d agree it shouldn’t have to pay for something already paid for or covered by the drying company’s settlement. But Allianz is liable for the cost of rectifying poor work of its agents. So Allianz can’t fairly just refuse to pay any costs Mr F incurred over and above the sum the drying company was prepared to pay – the settlement doesn’t absolve Allianz of any liability for the consequences of the drying company’s actions. It may be that Allianz will reasonably need to cover costs beyond the settlement sum to put things right for Mr F regarding the failures of its agent. So I’ve thought about what the drying company’s settlement likely covered.

There’s no formal breakdown for the £15,000. Allianz has suggested £6,500 was meant to cover the cost of glass doors, with the remaining £8,500 being general compensation. Mr F says it covered the cost of the glass doors and brickwork repairs. The list of damages he put forward as part of this negotiation detailed ‘fireplaces’ listed as part of damages to brickwork.

I'm not persuaded the drying company would have been prepared to pay £8,500 on the basis of 'general compensation'. So I think it's reasonable to conclude that it must have accepted some responsibility for other damage put forward by Mr F, such as for brickwork including fireplaces.

I'm prepared to accept then that £8,500 was paid for damages to brickwork including the fireplaces. But in deducting sums from the final quote, Allianz has said the total cost for fireplaces is £17,773.77 and for cupboards is £11,342.00. That total is £29,115.77. So even if I account for the sum of £8,500 allowed for by the drying company's settlement, that still leaves a cost of £20,615.77 outstanding. The drying company was Allianz' agent, so Allianz is reasonably responsible for reinstating items damaged by it and not covered by the negotiated settlement. I'm prepared to recommend that Allianz should pay £20,615.77. I'll likely recommend interest is added to this sum too, applied from 28 August 2024 until settlement is made.

Reading Allianz' comprehensive file, it seems the 'doors' it has discounted from the settlement are not the 'glass doors' subject of the negotiated settlement. Internal fire doors formed part of the strip out quote and settlement of £280,000. So they needed reinstating. Allianz has said nothing as to why it won't cover the reinstatement cost for 'doors'. The strip out of fire doors seems to have been agreed with no clear statement from Allianz, for example, that it was not agreeing they were covered. There's nothing to say why the cost for 'doors' or those for the fire alarm have been removed. These two total £20,849.80. I'm prepared to recommend Allianz pay for these. I'll likely recommend interest is added to this sum too, applied from 28 August 2024 until settlement is made.

There is a caveat to what I've said in my above two paragraphs about these four deducted items. It is possible that Allianz does have a good reason for thinking these are not items reasonably claimable under the policy for this incident. If it does and it can show me the contemporaneous evidence that supports its decision taken in August 2024 to disclaim liability for these items/costs, I'll consider it. If I find anything it present is persuasive, then I may change my mind on its liability for the two sums I've set out above."

Mr F made no comment. Allianz offered some further detail on the settlement sums under discussion in this section. It said:

- £504 – this was included in the totals paid out, but it wasn't deducted from the settlement before payment was made to Mr F.
- £15,000 – a sum of £5,500 appears in the scope for brickwork, so this sum alongside the £6,500 for glass doors, leaves £3,000 of the total £15,000 for compensation which it thinks is reasonable.
- The costs for fireplaces were deducted because they weren't in the premises initially. Three photos were provided to evidence this.
- Not all cupboards were damaged and one wasn't there previously, so costs were adjusted.
- Likewise for fire doors – not all of them were damaged.
- The fire alarm in the quote amounted to betterment, so the sum was adjusted.

Allianz reiterated that all the deductions were discussed with Mr F in a meeting.

I've considered the comments Allianz has made about costs. But nothing it has said makes me think my provisional findings were incorrect or unfair. Its comments are really anecdotal and not supported by persuasive evidence. The photos sent regarding the fireplaces show three random unnamed rooms and aren't tied in to the quote details. In any event, the fireplaces were damaged by Allianz' agent – so they must have been in the property for damage to occur.

If Allianz wanted to *reasonably* adjust the quotes for items it felt should not be included and or were betterment, it would need to evidence that. I'd also expect it, particularly in a large loss claim like this, to be absolutely clear with its policyholder about what was being deducted and why. For the avoidance of doubt, it is my view that merely discussing such deductions in – what for its policyholder was a high pressured, complex meeting, which wasn't minuted or followed up in writing – did not amount to it being absolutely clear.

Allianz' comments in reply to this section of my findings, haven't persuaded me to change what I said provisionally. As such my recommendations will remain as provisionally stated.

VAT

I said provisionally:

“The first settlement sum of £280,000 did not include VAT. As I understand it, the costs due at that time included an element of strip out works which were then done and so not included within the quote which formed the basis for the later £339,000 settlement. So whilst VAT was included as part of the basis for the £339,000 sum, it is possible that some costs for some work Mr F has had done have only been paid net of VAT. That said it's not currently clear to me what the total VAT sum is that Mr F has paid for all the insured work. Allianz has paid £95,075.07 for VAT (within the £339,000 sum). If Mr F can show Allianz that he has paid more than that in VAT for the insured works subject of the two settlement sums, then I'd expect Allianz to reimburse any VAT sum outstanding (above and beyond the sum it has already paid).”

Mr F, referencing our award limit, said some VAT could be awarded if the second payment Allianz had made was disregarded. He said Allianz had agreed to pay VAT on the whole sum but then reneged when it paid the second sum, determining it a 'global settlement'.

Allianz said there was VAT included in the second payment. With the first being an “interim”.

As I've said above, I can't disregard our limit. And I can't discount part of the sum Allianz paid – it is all counted as part of our limit.

Both parties have offered further comment regarding whether VAT should or shouldn't be applied against both sums/the whole sum. Their comments haven't changed my view as stated provisionally – in short Allianz' settlement so far *may* not have exhausted its liability for VAT, but that will depend on the total VAT cost Mr F has incurred.

Electricity costs

I said provisionally:

“Mr F has said Allianz has only paid for standing charges. I can see that Allianz paid for electricity usage, as put forward by Mr F, within its settlement of £325,000. But that was November 2023. There was extensive strip out, further drying and reinstatement works completed after that. Mr F should provide evidence to Allianz as to electricity usage and I'll recommend it considers making a further settlement.”

Allianz says the electricity bills Mr F provided showed standing charges only. It also said Mr F agreed to forego electricity costs if it paid another bill of his. Mr F asked that I recommend Allianz covers his gas bill. Totalling £1,092.53.

The copy bills Allianz has showed aren't for the whole period. Only for the months of December 2023 and March, April and May 2024. I don't think the email from Mr F about foregoing charges is that clear. He says he's paid for electric, heating and materials at around £1,200 which sum he'll forego if Allianz pays a bill of £16,114 plus VAT but he then says he "also" has utility bills for 15 months. And I haven't seen that Allianz has given any consideration to the gas bill Mr F has shared in reply to my provisional findings.

I can't reasonably comment here on whether Allianz is liable to Mr F for standing charges which applied to his utility accounts. My recommendation was for his electricity costs to be considered and I still think that is fair. However, given the detail Mr F has shared about his gas usage, which Allianz may not have seen to date, I'll make a minor amendment so my recommendation reflects that broader utility usage (with both electricity and gas being important factors often utilised when drying a property). When/if Allianz carries out this consideration it should bear in mind my comment in my compensation section that this claim was likely prolonged/delayed by around a year on account of its failings.

Loss of rent (paid by Allianz to July 2025)

I said provisionally:

"Allianz ultimately paid for two years' lost rent, up to July 2025 at £45,000 per year. Mr F had evidenced rent in the year of the leak was £40,000. He said he would have got a new lease at circa £50,000. I haven't seen any evidence that was likely possible at the time. He has since secured, he says, a lease at £47,500.

The fact that a new lease has now, in 2025, been secured for £47,500, doesn't mean it would have been possible to achieve that sum, or £50,000, in 2023 or even in 2024. I'm not minded to recommend that Allianz pays an increased sum for loss of rent. I'm currently satisfied it was reasonable of Allianz, when Mr F said rent could have increased by £10,000, for it to have agreed settlement based on an uplift of £5,000."

Allianz made no comment. Mr F said he had proven rent of £47,500 could be achieved. He asked that, for at least the second year, an additional payment of £2,500 was recommended.

For me to make even a recommendation for an additional payment like this, I have to be satisfied it's most likely that sum would have been achieved. Whilst I appreciate Mr F's view in this respect, that does not amount to persuasive evidence of that level of rental income being most likely achievable. I'm not going to recommend Allianz pays additional rent.

Loss of rent post July 2025

I said provisionally:

"Mr F says, due to Allianz' unfair claim settlement he couldn't complete repairs in time for the new lease to start in July 2025. So his loss is continuing.

This reported loss does post-date Allianz' October 2024 FRL. However, it reportedly stems from the issue at the heart of the 2024 complaint – the claim settlement. So I will consider this complaint point within this decision.

Having done so, I'm not minded to require Allianz to pay any further lost rent. Above I've explained that I think its settlements were largely fairly made. I've found some things that I may, in my final decision, recommend it pay. But the majority of the claim costs were

covered by its settlements. The settlements made, in my view, should have allowed Mr F to reinstate the property in a timely manner within the period covered by Allianz' two year loss of rent payment."

Allianz made no comment. Mr F asked that payment for two months' rent – August and September 2025 – was recommended.

I understand Mr F thinks rent should be paid beyond July 2025. But nothing said in this respect has given me cause to change my view stated provisionally.

Compensation

I said provisionally:

"Allianz accepted there were failings by it and its agents during this claim. It offered £1,000. I'm not persuaded that is fair and reasonable here. The scale of the failings is summarised most easily by knowing that the drying company agreed a settlement of £15,000 for damages it had caused. And Allianz' file shows it found the service provided by the drying company was not acceptable. That scale of settlement and criticism is not something I often see. And, of note here, is that Mr F was put to a lot of trouble to show the failings of the drying company. And the failings meant additional insured work was required, along with additional input by Mr F. The period of the claim was drastically affected by the drying company's failings. Probably by around a year.

I'm minded to think the upset caused to Mr F means compensation should reasonably sit at the top end of our bracket for upset caused over the period of about a year. That's £1,500.

I appreciate Mr F will likely think more is due. But I'll direct him to our guidance on our website for awards of this nature, particularly the award bracket I've referenced above. I'll also add that this was a major loss claim so it was always going to take some time to progress and there was always going to be a good deal of involvement required by Mr F. Given the significant failings by the drying company and the impact they had on the claim, including significantly increasing Mr F's necessary involvement, I'm currently satisfied £1,500, taking into account our guidance, is fair in the circumstances here."

Allianz made no comment. Mr F reiterated detail he'd shared previously including about the treatment he'd had from the loss adjusters, the way they'd insisted on carrying out meetings in public and that he always felt pressured and doubted.

I've considered everything Mr F has said, I'm satisfied that £1,500 is fair and reasonable compensation in the circumstances here.

Putting things right

Recommendation

I cannot require Allianz to pay/make payments, but I do recommend that to/for Mr F it:

- Pays £504 (the unfairly deducted consultant's fee), plus interest*.
- Pays £20,615.77 and £20,849.80, for fireplaces and cupboards, plus doors and the fire alarm, both sums plus interest*.
- Considers a payment for outstanding VAT, subject to evidence being presented by Mr F.

- Considers a payment for utility usage post November 2023, subject to evidence of usage being presented by Mr F.
- Pays a further £500 compensation, where my total recommended compensation is £1,500, with £1,000 having been paid already.

This recommendation is not a determination or award. Allianz doesn't have to do what I recommend. It's unlikely that Mr F can accept my decision and go to court to ask for the balance. This is my final decision, Mr F may want to get independent legal advice before deciding whether or not to accept it.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from 18 August 2024 until settlement is made. HM Revenue & Customs may require Allianz to take off tax from this interest. If asked, it must give Mr F a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I recommend that Allianz Insurance Plc provides the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 27 November 2025.

Fiona Robinson
Ombudsman