

The complaint

Mr H complains that Allianz Insurance Plc declined a claim he made on his buildings insurance policy.

Reference to Mr H or Allianz includes their respective representatives.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr H owns a rental property. He took out building insurance for it through a broker, who I'll call B, underwritten by Allianz. He discovered it had been used as a cannabis farm, which had caused damage, and got in touch with Allianz to make a claim.
- Allianz declined the claim. It said the policy terms required Mr H to meet a number of conditions in order to be covered in the circumstances. One such condition included tenant vetting, but it hadn't seen any evidence to show this had been done. Other conditions related to regular inspections, but it hadn't seen persuasive evidence this had been done either. Allianz said the breach of the conditions was material to the claim, because false identities were used to let the property and go on to cause damage. Had the conditions been met, the risk of the loss would have been reduced.
- Mr H complained. In summary, he said:
 - He let the property through a professional managing agent, who was responsible for tenant vetting, collecting rent and conducting inspections. I'll refer to this company as L.
 - L was found to be involved in using landlord properties to setup cannabis farms. L had actively misled him, including creating false tenancy agreements and claims of inspections.
 - He'd delegated responsibility to L in good faith, but L had acted fraudulently. Despite this, Allianz said Mr H was responsible for fulfilling the policy terms.
 - Allianz hadn't shown the conditions hadn't been met. In part because it hadn't made a reasonable attempt to engage with L.
 - Even if the conditions in the policy terms had been met, the risk of the loss wouldn't have increased. L would have falsified the evidence, and the damage would have happened regardless of meeting the conditions.
 - This Service had upheld other complaints in similar circumstances.
- Allianz provided a detailed complaint response in which it maintained its position.
- Our investigator thought Allianz had acted fairly in the circumstances.
- Mr H disagreed. He provided further comments along the lines of those made in his complaint and summarised above. He asked for his complaint to be considered by an Ombudsman, so it's been passed to me.

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.

- When considering what's fair and reasonable in the circumstances I've taken into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Whilst I've read and taken into account everything said by both parties, I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. That's a reflection of the informal nature of this Service.
- The complaint has arisen because Allianz has declined the claim. So that will be my main focus.
- The policy covers damage to the building, if it's caused in certain ways, such as by fire, flood or theft. These are known as 'insured events'. This cover is subject to a number of terms and conditions.
- There are two main insured events relevant to this claim. I'll go on to consider them in detail in their own sections below. I'll also consider loss of rent cover, other relevant matters, and then summarise my thinking.

Illegal cultivation of drugs cover

- For this insured event, the policy covers damage caused by 'the manufacture, cultivation, harvest, or processing ... of drugs'. There seems to be no dispute that at least some, and perhaps all, of the damage was caused in this way.
- The policy says it's a condition precedent to liability for this cover that Mr H, or any party acting on his behalf, meet some specific conditions, labelled 'a-f'. Both parties are aware of the full wording for these conditions and that isn't in dispute. So I don't think it's necessary for me to set them all out in detail here.
- Conditions along these lines are quite common amongst landlord insurance policies. They help manage and limit the risk of a loss – for policyholders and insurers alike.
- As it's a condition precedent to liability, the onus is on Mr H to show he met the conditions labelled 'a-f'. It's not on Allianz to show he didn't.
- I recognise that task is made more challenging for Mr H because he relied on L to act as his managing agent – and that role may have included taking steps which could have met some or all of the conditions. However, I understand L hasn't provided him with information to show the conditions were met. I think Mr H considers Allianz shouldn't hold that against him, particularly given the wider comments that have been made about L and its potential role in the matter.
- The policy is a contract of insurance between Mr H and Allianz. L isn't a party to the contract. The policy is clear that Mr H is responsible for meeting these conditions. He's entitled to delegate that responsibility to L. But it nonetheless remains his responsibility. If Mr H is unable to meet the conditions because of L, that is a matter between him and L. Allianz is entitled to apply the policy terms and hold Mr H responsible for meeting the conditions.

- Though the onus was on Mr H to show he'd met the conditions, Allianz nonetheless took steps to investigate this for him by trying to contact L. I've seen evidence it repeatedly emailed and called L, but didn't receive a response. It even went so far as to visit L's office address to try to make contact, but was unsuccessful. I understand Mr H had a similar experience when trying to reach L.
- I'm satisfied Allianz acted fairly and reasonably in the circumstances, as it went well beyond what it was required to do. I think Allianz recognised Mr H was in a vulnerable position and may have felt let down by L, so it tried to help him by seeking relevant information that could have supported his claim.
- Ultimately, Allianz exhausted reasonable attempts to contact L. And Mr H provided all the information he could. So Allianz made a claim decision based on the available evidence. I'm satisfied it acted fairly and reasonably when it did that.
- In summary, Allianz didn't think any of the conditions labelled 'a-f' had been met. I've considered the evidence provided by both parties about this point.
- Condition 'a' required Mr H to obtain and retain references for new tenants. He didn't do this himself, as he understood L would do so. There's no evidence to show L did. So this condition wasn't met.
- Similarly, condition 'b' required Mr H to obtain and retain formal photo ID for new tenants. Again, he didn't do so, as he understood L would. There's no evidence to show L did. So this condition wasn't met.
- The position is much the same for condition 'c', which related to the tenants' bank account details. There's no evidence the relevant information was gathered. And though some rental payments were made, they weren't from the named tenants or L and were from a variety of other payees. So this condition wasn't met.
- The remaining conditions, d-f, related to inspections. I recognise L gave Mr H the impression it carried out one inspection and found no problems or concerns. There was also a period when Mr H would clearly have been unable to carry out any inspections of his own due to severe illness. And there was another period when his son carried out some inspections. Even disregarding Mr H's period of illness, these conditions weren't met.
- In these circumstances, I'm not persuaded any of the six conditions were met. That means Allianz was entitled to decline the claim under this section of the policy.
- As Mr H has noted, the Insurance Act 2015 is relevant here. In summary, relevant to this claim, it says an insurer may not rely on non-compliance of a condition to decline a claim if non-compliance "could not have increased the risk of the loss which actually occurred in the circumstances in which it occurred".
- In short, that means Allianz must show that Mr H not complying with the condition *could* have increased the risk of the particular loss. I've emphasised the word 'could', because I think that's key here. Allianz isn't required to show that non-compliance *did* increase the risk, only that it *could* have done.
- I know Mr H says that even if L had shown him information to evidence it had met the conditions, it may have done so fraudulently. So the damage may still have happened regardless.

- If Mr H had been given compelling information from L to apparently evidence compliance with the conditions, such that he had good reason to believe he'd complied with the policy terms, I would have to consider what impact that might have on the claim. But this isn't what happened.
- And if the conditions had genuinely been complied with, I think it's clear the risk of the loss would have reduced. Requiring tenants to provide the information set out in the conditions, such as references, identification and bank account details, is a deterrent to someone using a property as a cannabis farm. Whilst it may not prevent that from happening, it puts barriers in place to reduce the risk. Requiring regular and recorded inspections similarly reduces the risk – and helps to minimise the extent of damage likely to be caused if a loss does occur.
- As a result, I'm satisfied Allianz has shown that Mr H not complying with the condition *could* have increased the risk of the particular loss. And that means it acted in line with the Insurance Act when it declined the claim under this insured event.

Malicious damage by tenants cover

- Under this insured event, the policy covers damage caused by 'the malicious actions of a tenant'. Again, there seems to be no dispute that at least some of the damage was caused in this way.
- The policy says it's a condition precedent to liability for this cover that Mr H met two conditions, labelled a and b, which are the same as those in the previous section.
- For the same reasons I gave above, I'm not satisfied those two conditions were met. And not doing so could have increased the risk of the particular loss.
- So it follows that Allianz was entitled to decline the claim under this section of the policy. And it acted in line with the Insurance Act when it did so.

Loss of rent

- Given the extent of the damage to the property, Mr H was unable to let it back out again. So he's lost out on the rental income.
- The policy provides cover for loss of rent, subject to terms and conditions. One such condition is that the loss of rent must have been the result of damage insured under the policy. So, if the building damage isn't covered, the loss of rent won't be either. This is a common condition in most landlord insurance policies.
- As I'm satisfied Allianz was entitled to decline the claim for the building damage, it follows that I'm also satisfied it was entitled to decline the claim for loss of rent.

Other cases

- Whilst I note Mr H has referred to a decision made by this Service on another case, we consider each case on its own merits. Other cases don't set a precedent.
- Nonetheless, I've considered the other case he's referred to for consistency. There are significant differences between the circumstances of his case and the other, including the policy terms relied upon, which means they're not a direct comparison.

Policy sale and renewal

- I would usually consider that any policy terms which are significant, onerous or unusual ought to be appropriately highlighted to a policyholder at the time the policy was sold or renewed. And doing so is the responsibility of the party who sold or renewed the policy. In this case, that was B.
- As a result, Allianz wasn't responsible for bringing any such terms to Mr H's attention. And it's entitled to rely on the policy terms, as set out in the policy, provided it does so fairly. For the reasons given above, I'm satisfied it did so. Mr H is entitled to raise the matter separately with B if he wants to.

Overall

- It's clear Mr H has lost out considerably due to the harmful actions of others – and during a time that would have been very challenging for him regardless of this matter. He's been the victim of illegal activity, which must have been very distressing.
- Allianz is required to act in line with the policy terms and relevant law, and act fairly and reasonably overall. I've explained above why I'm satisfied it's fulfilled these requirements. In short, the policy simply doesn't cover Mr H's losses in the circumstances. And I consider Allianz went well beyond usual expectations to try to support him. So I'm satisfied it acted fairly when it handled and declined the claim.
- Despite my natural sympathy for the position Mr H is in, I haven't found Allianz has acted unfairly. So it wouldn't be fair to Allianz for me to hold it responsible for the losses Mr H has suffered. As a result, I don't uphold this complaint.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 January 2026.

James Neville
Ombudsman