

The complaint

Mr and Mrs P complain about the way Allianz Insurance Plc ('Allianz') proposed to settle a fire damage claim they made.

References to Allianz include their agents and appointed contractors. Mr and Mrs P are also professionally represented in this complaint.

What happened

Mr and Mrs P own a flat which is insured under a block buildings insurance policy underwritten by Allianz. The freeholder of the block is the policyholder, and they are potential beneficiaries under the insurance policy.

Mr and Mrs P raised a claim to Allianz in October 2022 after a fire damaged their property. Allianz accepted the claim, but Mr and Mrs P said they experienced delays throughout the claim journey, including issues with being reimbursed alternative accommodation costs. They raised a complaint which this Service previously considered, and an Investigator looked at what had happened up until February 2025. That Investigator concluded that Allianz had caused delays and provided poor service so they should pay £500 compensation. Mr and Mrs P remained unhappy with Allianz's conclusion of the outstanding works and how to settle them, which the Investigator said would need to be raised as a new complaint.

Mr and Mrs P went on to raise that new complaint, and Allianz responded to it in May 2025. They said Mr and Mrs P's quote for reinstatement works appeared to be excessive, and they hadn't received any evidence supporting the presented costs. They offered to instruct another independent assessor to visit the property and provide a priced schedule of works. Mr and Mrs P remained dissatisfied with Allianz's response to their complaint – so, they brought it to this Service.

An Investigator looked at what had happened but didn't recommend the complaint should be upheld. They said the evidence demonstrated Allianz had offered to either carry out the required reinstatement work themselves or cash settle the claim at 10% above their own rates, which the Investigator felt was fair and that there was nothing to suggest Allianz's offer wouldn't indemnify Mr and Mrs P for the damage claimed for.

Mr and Mrs P didn't agree with the Investigator's conclusions. They said Allianz's offer to carry out the works was less than a third of the market costs they had obtained and was therefore unrealistic. They maintained Allianz couldn't indemnify them for their losses based on the offer they had put forward and their own contractors wouldn't be able to return the property to its pre-loss conditions.

Mr and Mrs P asked for an Ombudsman to consider the complaint – so, it'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.

Having done so, I've reached the same overall conclusion as the Investigator, and I do not uphold this complaint.

The issue I need to decide isn't whether the reinstatement works could be carried out in the way Mr and Mrs P propose, or whether other contractors would charge more to do those works. Instead, my role is to decide whether I'm satisfied that Allianz acted fairly and reasonably in how they proposed to settle the claim under the terms of the policy. I've therefore carefully considered everything Mr and Mrs P and Allianz have submitted about how this claim should be settled, including the detailed submissions and reports provided by Mr and Mrs P's representative.

The policy cover

The policy provides cover on a reinstatement basis and allows Allianz to settle claims by reinstating the damaged property or by making a cash settlement. I've carefully considered the submissions made by Mr and Mrs P's representative that sets out they feel the only way to properly indemnify the claim is by reference to a market tender process – but I do not agree this is what the policy terms require. I can't see that the terms required Allianz to adopt a particular scope of works prepared by a third-party surveyor; and I also do not agree that the "Day One" basis of settlement removes Allianz's discretion as to how reinstatement should be completed. While I agree the policy has been set up on a Day One basis, that relates to valuation and underinsurance, and there's nothing I've seen that requires Allianz to cash settle the claim by reference to external tender costs.

Ultimately, my decision turns on whether Allianz's chosen approach to settle the claim would reasonably reinstate the property to its pre-loss condition and whether the way they exercised their rights under the policy was fair in the circumstances. Having reviewed the claim history, I can see that Allianz accepted the claim and considered the schedule of works and costs put forward on Mr and Mrs P's behalf. But Allianz disagreed with that scope and considered the costs to be excessive; so, they obtained their own independent assessments and prepared a priced schedule of works and offered to either carry out the reinstatement works themselves or make a cash payment based on their assessed costs with a 10% uplift. I consider this approach to be fair and proportionate in the circumstances and reflective of how I would expect an insurer to approach settlement of a claim. While I take on board Mr and Mrs P's representative's submissions, I am not persuaded the available evidence demonstrates that Allianz's proposals to settle wouldn't adequately reinstate the damage.

Allianz set out that they felt the costs put forward by Mr and Mrs P were excessive and in response, Mr and Mrs P's representative submitted what they felt were deficiencies in Allianz's loss adjuster's scope of works. I've considered these documents carefully, but I'm ultimately not satisfied they show the loss adjuster's scope was unreasonable or that Allianz's settlement proposals would fail to indemnify Mr and Mrs P. While I accept the documents demonstrate how reinstatement *could* be approached if different assumptions were made about the extent of the replacement works, much of the difference between the competing figures appears to be based on different professional judgements about whether item should be cleaned, tested and retained, or replaced outright as well as assumptions about the extent of consequential works following an electrical replacement, and the inclusion of provisional sums and 'worst case' allowances.

I think those are ultimately differences of methodology and approach, but they don't persuade me that Allianz's position was overall unfair. A higher or more extensive scope of work isn't automatically the correct one, and the existence of a higher tendered cost does not demonstrate Allianz's reliance on their own expert advice was unreasonable. Ultimately, I'm not persuaded the tender material establishes a set or fixed reinstatement cost Allianz was required to adopt or settle against. And I haven't seen any evidence that Allianz's proposed reinstatement would leave Mr and Mrs P under-indemnified or unable to return the property to its pre-loss condition.

While I sincerely appreciate Mr and Mrs P's concern that Allianz's settlement figures are significantly lower than the costs they've obtained from the market tender exercise, I'm not persuaded that difference alone means Allianz's approach was unfair. Ultimately, insurers are entitled to manage cost certainty and to rely on their appointed experts, provided they do so fairly and reasonably. And having taken everything into account, I'm satisfied Allianz has acted fairly and reasonably and within the terms of the policy in the way they proposed to settle the claim.

It therefore follows that I won't be directing Allianz to take any further action in relation to how they proposed to settle Mr and Mrs P's buildings claim. I was sorry to hear about the difficulties Mr and Mrs P experienced during this claim, and I appreciate this will not be the answer they were hoping for, but I trust my decision explains why I have reached the outcome that I have.

My final decision

For the reasons I have set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 17 March 2026.

Stephen Howard
Ombudsman