

The complaint

Mr and Mrs G complain about Allied World Assurance Company (Europe) dac's (AWA) handling of a claim under a commercial property insurance policy.

Mr and Mrs G are both eligible complainants. But most of the communication regarding the complaint and claim has been from Mr G. So I've referred mainly to Mr G in my decision.

All references to AWA include its agents.

What happened

Mr G is a leaseholder of a flat, covered by a commercial property insurance policy (the policy). The policy included cover for damage caused to the building and loss of rent/alternative accommodation (LOR). Mr G rented the flat out to a tenant.

In February 2024, a failed sewer pipe (the escape of water, or "EOW") was discovered under Mr G's property, causing damage. A claim was made by a company I will refer to as 'M', on behalf of the resident's property management company (that I will refer to as 'G'). G was the named insured on the policy. M appointed a contractor to quote for and carry out the necessary works.

M reported further damage, requiring further works and in June 2024, AWA appointed a Loss Adjuster (that I will refer to as 'Q'). Q inspected the damage and in September 2024, AWA approved the further works and costs submitted by M.

In November 2024, after the main flooring was put back down following strip out works, Mr G asked about cover for replacement of the damaged carpets. AWA said given they were fitted by Mr G, and considered contents, they were not covered. AWA only agreed to cover the costs to lift and relay the existing carpets.

In December 2024, the works arranged by M through its appointed contractor, were completed, albeit the carpets were not replaced and were instead disposed of. AWA stopped payments under the LOR cover (for alternative accommodation of the tenant) from this date. But Mr G said further repairs were outstanding, and he wanted LOR cover until all these works were completed. This included further damage he said was caused during works carried out by M's contractor. Mr G said the flat was re-let in February 2025, after he completed the outstanding work.

AWA issued a complaint response in March 2025, following the concerns raised by Mr G. It said the contractor was appointed by M, and AWA wasn't responsible for the contractor's actions and any associated damage. And because there was no cover for Mr G's contents under the policy, it declined cover for the damaged carpets. It maintained its decision to provide LOR cover until December 2024, when it said the insured works were deemed complete.

Mr G referred his complaint to the Financial Ombudsman Service. He said he was pursuing a separate claim against M for their actions. But because he'd paid just over £5,000 to

restore his flat to a liveable condition, he wanted AWA to cover this cost, and provide further LOR cover.

The Investigator partly upheld the complaint. They said AWA wasn't responsible for the contractor's actions, including the damage caused by the contractor, requiring further works. And they said the flat was habitable once the wastewater damage was rectified and the main floor reinstated in December 2024. So they didn't recommend AWA provide further LOR cover. But they thought the carpet met the policy definition of buildings, so they recommended AWA pay for the cost of reinstating the damaged carpet, with 8% simple interest.

AWA disagreed. It said fitted carpets were generally considered home contents, and provided examples of previous decisions from our Service.

Mr G said the flooring generally within the property had been damaged by the EOW (sewage).

Because the complaint couldn't be resolved, 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.

Mr G has provided a lot of information in support of his complaint. I assure Mr G that I've taken everything he's provided into account. But in this decision I've focused on what I think are the key issues in this complaint. No discourtesy is intended by this, but it simply reflects the informal nature of the way that the Financial Ombudsman Service reviews complaints.

Carpets

AWA has declined cover for damaged carpets on the basis the policy only covers damage caused (by an insured peril) to buildings. And it doesn't cover Mr G's contents. So I've considered whether it's fair in the circumstances to say the carpets aren't buildings.

The terms of the policy define 'buildings' as including "*landlords' fixtures and fittings*". I'm satisfied that in renting out the property over which he has a leasehold title, Mr G meets the definition of 'landlord'. So I've gone on to consider if the carpet meets the policy definition of buildings.

As AWA has outlined, our Service does generally take the view that carpets are contents. But as AWA are aware, we consider each case on its own individual facts, taking into account what we think is fair and reasonable in the circumstances.

In this particular case, I have to take into account that the definition of buildings includes Mr G's "*fixtures and fittings*". And while I wouldn't expect AWA to list every item that is or isn't covered, it doesn't set out in any more detail what a fixture or fitting would be. And in these circumstances, I'd consider a fixture or fitting to be something fastened to the structure of the main building, such as to the floor or wall. With this in mind, I'd consider carpets, fitted to the floor (whether glued, or fitted with underlay and grippers) to meet this definition. So I consider it more likely than not that the carpet was fixed in place, and therefore met the specific policy definition of buildings. It follows that I consider AWA acted unfairly in declining Mr G's claim for the damaged carpet.

I believe the above also fairly applies to any other flooring fitted to the floor of Mr G's property, by Mr G. So, subject to Mr G providing proof of damage caused by the EOW,, I think AWA should cover the reasonable cost to Mr G, to replace the damaged carpets and flooring. And because Mr G was unfairly deprived of this payment, I think AWA should add interest to the amount it pays Mr G, at a rate of 8% simple.

In reviewing the above, AWA shouldn't use against Mr G, the fact (if proven) that items were disposed of by the contractors, on the basis they were damaged by the EOW and couldn't be re-used.

I also consider AWA's refusal to cover the damaged carpets would've caused Mr G avoidable distress and inconvenience. And in the circumstances, I think a payment of £200 compensation is fair. So this is what I will direct it to pay.

Contractor actions

Mr G has raised many concerns about the actions of the contractor appointed by M, including damage they caused to the property, that required further works, time and costs.

From what I've seen, the contractor in question was appointed and instructed by M. I've not seen any evidence to show the contractor was instructed by AWA, or its agents, on how to carry out the works. I consider the actions of AWA (through its agents), was limited to validating the works and costs claimed for by the contractor (through M). And in these circumstances, I agree with the Investigator that AWA can't fairly be held responsible for the contractor's actions.

LOR

The policy provides cover under LOR (whether for loss of rent or alternative accommodation) in the event of damage rendering the property unfit to live in.

From what I've seen, M, through its appointed contractor, confirmed the works required to address the damage from the EOW was completed in December 2024. And I understand this included relaying of the main flooring. And while I accept this didn't include replacement of the carpet that was disposed, I don't consider this would have meant the property was unfit to live in, as a result of outstanding EOW damage.

I'm also conscious Mr G has said decoration of the whole flat remained outstanding, including works to address damage caused by the contractor to the kitchen during works, and further decontamination. And I've outlined above why AWA wasn't responsible for the actions of the contractor. Mr G also said it cost just over £5,000 to complete the outstanding works, of which only around £1,450 was for the replacement of the carpets and flooring. So I don't consider AWA's failure to cover the replacement carpet was the main cause of the further delays.

With the above in mind, I don't consider it fair to require AWA to provide further LOR cover, beyond the cover it provided till December 2024.

Other damage

Mr G raised concerns about other damage to his property that he wanted AWA to cover. But in this decision, I've considered the points AWA addressed in its complaint response of March 2025. As outlined by the Investigator, if Mr G has additional concerns, he will need to raise this directly with AWA in the first instance.

My final decision

My final decision is that I uphold this complaint. Subject to my comments above, I require Allied World Assurance Company (Europe) dac to:

- Cover the reasonable cost to replace the flooring and carpets damaged by, or as a direct result of, the failed sewer pipe.
- Add interest to the above, at the rate of 8% simple per year, from the date Mr and Mrs G made the associated payment, to the date of settlement.
- Pay Mr and Mrs G a total of £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 19 May 2026.

Monjur Alam
Ombudsman