

complaint

Mr and Mrs D complain about Allianz Insurance Plc's handling of their Buildings Insurance claim.

All references to Allianz also include their agents.

background

Below is intended to be a summary of what happened and does not therefore include a full timeline or list every point that has been made.

Mr and Mrs D made a claim on their policy in January 2018 for subsidence at their property.

Initial investigations were carried out by Allianz to inspect the drains as this was believed to be the source of the issues that were causing the subsidence. Repairs to the drain were carried out in June 2018, meaning the claim then progressed to addressing repairing the damage caused by the subsidence.

A contractor was appointed by Allianz and they produced a schedule of the work needed for the repairs in June 2018. Allianz had some queries with the proposed work, so they went back to clarify them with the contractor. The scope of works was then agreed, but Mr and Mrs D flagged to Allianz that further damage had developed and provided photographs of this for Allianz to consider.

Allianz felt they were still ready to proceed with the repairs and said if when on site, the contractors felt amendments needed to be made, they could come back to Allianz to review and amend the schedule. The repairs were scheduled to begin in December 2018, but when the contractors attended they didn't start work and submitted a new schedule of work needed to Allianz.

Around this time Mr and Mrs D said their policy was due for renewal but Allianz said they would be unable to insure them going forward as they were no longer offering this type of insurance. Mr and Mrs D took out insurance elsewhere and said their premiums increased significantly as a result of having an outstanding subsidence claim.

Mr and Mrs D were unhappy with the lack of progress of their claim so they raised a complaint. Allianz provided a final response to Mr and Mrs D in February 2019. Allianz agreed there had been delays in progressing Mr and Mrs D's claim due to ongoing debate between them and their contractor over the scope of work needed. They offered Mr and Mrs D £200 compensation for the stress and inconvenience caused.

Mr and Mrs D were unhappy with Allianz's response, so they brought their complaint to our service.

Our investigator recommended we uphold Mr and Mrs D's complaint. She said the amount of compensation offered by Allianz was fair in the circumstances of this complaint. But she didn't think it was fair that as Allianz withdrew from offering domestic home insurance before Mr and Mrs D's policy renewed, they should be left with more expensive cover whilst they had an ongoing subsidence claim. She said Allianz should refund the difference between what Mr and Mrs D paid in 2018 and 2019, and what they would've paid if Allianz had continued to offer them cover.

Allianz didn't agree it would be reasonable for them to refund Mr and Mrs D the premiums.

Mr and Mrs D requested the complaint be put to an ombudsman for a final decision.

The complaint then passed to me.

I issued a provisional decision for this complaint on 22 July 2020. In my provisional findings I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs D have made a number of detailed points. I want to assure them I've considered all of them, but I'm going to focus my decision on what I see as the central issues to this complaint. I don't intend this as a discourtesy, rather it reflects the informal nature of our service and my role in it. This decision focuses on events up to Allianz's final response to Mr and Mrs D in February 2019.

Allianz accepted there were some delays due to an ongoing dispute regarding the scope of works – which they estimated at around two months. The scope of works was originally provided by the contractors around June 2018. Allianz had some queries on the scope of works and after further investigation, asked the contractors to amend this in August 2018. Allianz chased the contractors for a response, but the scope of works wasn't approved until October 2018 – and a start date for the work to begin wasn't provided to Mr and Mrs D until November 2018. It's not unreasonable for Allianz to query the scope of works with its contractors but when the contractors didn't respond to Allianz I would've expected Allianz to take other steps to progress Mr and Mrs D's claim– such as using another contractor, but I can't see they did this. So I do agree that on this point there was around a two month delay.

But I also think there were further avoidable delays. In October 2018 Mr and Mrs D made Allianz aware the damage to their property had increased – and provided photos. I can see there was some dispute between Allianz and Mr and Mrs D about whether the further damage required repair or further monitoring, but I can see Allianz also later told Mr and Mrs D the damage could be reported by the contractors when on site.

When the contractors attended the site In December 2018, they didn't think the scope of works was adequate for the damage noted – so work didn't begin. When the contractor provided a new scope of works, it had increased significantly, so I don't think it was unreasonable for Allianz to query this – but as Allianz were already aware there could be further work added I think this should've been investigated and agreed before the contractors came to start work. At the time Allianz issued their final response to Mr and Mrs D's complaint in February 2019, the scope of works still hadn't been agreed – around four months after they made Allianz aware of further issues. Because of this I don't think the amount of compensation Allianz has offered is reasonable – and further compensation is due. I'll explain my thoughts on the appropriate level of compensation at the end of my findings.

I can see in November 2018 Mr and Mrs D called Allianz to ask whether they would continue to cover them – as their policy was due for renewal in December 2018. I can also see they made Allianz aware of the issues they experienced with insuring their property in an email in December 2018 – including that they had suffered a significant increase in premiums and expected to be compensated for this by Allianz. But I can't see that Allianz ever acted upon this or had further conversations with them about this. So I think Allianz needs to do more to put things right and I've set out what I think they should do below.

ABI guidance on continuation of cover following subsidence claims established a principle that insurers who deal with subsidence claims should usually seek to offer continued cover to their policyholder. This is for a number of reasons. Of most relevance here is the aim to avoid policyholders being left to search the market as a new customer, with a recent or on-going subsidence to declare – which is likely to make them a substantially greater risk to the majority of insurers.

Allianz withdrew from the domestic building insurance market. But I don't think that outweighs the ABI guidance or means it would be fair for Mr and Mrs D to lose out as a result.

I understand Allianz continued to offer other types of buildings insurance. So it would have been possible for Allianz to continue to offer Mr and Mrs D cover, including subsidence. Alternatively, Allianz could have arranged for another insurer to effectively pick up where they left off and offer a policy to Mr and Mrs D which treated them like an existing customer. Either option would have been in the spirit of the ABI guidance. If Allianz would be prepared to do either of these things to help put the situation right for Mr and Mrs D, they should let me know in response to this provisional decision.

As Allianz didn't offer a policy or make any arrangement for Mr and Mrs D, I think it's reasonable Allianz refund the difference between what Mr and Mrs D paid in 2018 and 2019 and what they would have paid had Allianz continued to offer cover.

Our Investigator welcomed Allianz to tell us what they think their premium would have been had they continued to offer cover. But they were unable to provide this. So I'll take a pragmatic approach to assuming what the premium would have been.

I think it's reasonable the premium would've likely increased by around 5% in 2018 and another in 2019. So Allianz will need to refund the difference in premiums Mr and Mrs D paid with the 5% increase applied. Unless Allianz offers a policy or arranges one as outlined above, there's still likely to be a difference in premium for the next three years, so I think it's reasonable Allianz apply the same principle and cover the difference in premium during that time.

Mr and Mrs D should have the benefit of subsidence cover. Unless Allianz is prepared to provide or arrange that cover, Mr and Mrs D are entitled to find a policy which offers that cover. That will likely increase the cost of their policy further and Allianz will have to take that into account when refunding the difference in premium I explained above.

Considering what I've set out above I think it's reasonable Allianz pay Mr and Mrs D a total of £650 compensation. I think this fairly reflects the stress and inconvenience they've been caused taking into consideration the delays, what Mr and Mrs D have said about the stress the ongoing situation with their claim has caused and trying to obtain a new insurance policy with an existing subsidence claim."

Mr and Mrs D agreed with my findings.

Allianz said they would like to provide further comments in response to some of my findings. But they haven't done so.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, and as no further comments have been provided for me to consider. My decision and reasoning remain the same as I explained in my provisional decision.

my final decision

My final decision is that I uphold Mr and Mrs D's complaint.

To put things right I direct Allianz Insurance Plc to:

- Pay Mr and Mrs D £650 compensation
- Refund the difference in premiums Mr and Mrs D paid in 2018 and 2019 with the 5% increase applied
- Offer a policy or arrange one as outlined in my findings or apply the same principle of a 5% increase and cover the difference in premiums for the next three years

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 15 October 2020.

Michael Baronti
ombudsman