

The complaint

Mr W complains Allied World Assurance Company (Europe) dac delayed, then unfairly declined, a claim against a Residential Landlord insurance policy.

Reference to Allied includes its agents.

What happened

The facts of this complaint are known to all parties, so I won't set them out in detail. But, in summary, Mr W purchased a buy-to-let property in June 2023 and insured it with Allied.

In August 2023 a contractor Mr W employed to undertake renovations discovered significant water damage. So, Mr W instructed a structural engineer to assess the damage. They concluded, broadly, this historic water ingress occurred due to problems with a balcony attached to the flat above.

Mr W raised a claim to Allied. It appointed a loss adjuster to handle matters. They visited the property in September 2023. Later on in September 2023, they told Mr W Allied wouldn't assist with the claim because damage pre-dated the policy and Mr W's ownership of the property. They also referenced policy exclusions such as wear and tear, and gradual damage.

Mr W disputed the claim decision. He said, broadly, he wasn't aware damage was occurring until it was discovered by his contractor – and this was supported by a home buyers report which didn't highlight these issues. He said damage occurred through no fault of his own and was due to problems with the balcony attached to the property above.

After some delay, the loss adjuster responded to Mr W in December 2023. They said for a claim to succeed, it has to be shown that damage was the direct result of an insured peril. And that wasn't the case here.

Mr W complained to Allied about the way it handled matters and its decision on the claim – and providing different reasons to decline it. Allied responded to it offering to compensate Mr W £200 for the service issues. This was increased to £300 but Mr W remained unhappy. He said, broadly, he held off carrying out repairs while the claim was running and is out of pocket having had to pay the associated property costs while it was empty. As he remained unhappy, he asked our Service for an impartial review.

The Investigator didn't recommend the complaint be upheld as he thought Allied reached a fair and reasonable claim decision. Mr W didn't think the Investigator considered the fact he was unaware this damage was present until it was uncovered. As no agreement could be reached, the case was 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.

Insurance policies aren't intended to provide a policyholder with cover for every single eventuality. The starting point with any insurance claim is for a policyholder to demonstrate the loss or damage they're claiming for occurred as a result of an insured peril. Mr W's policy set out a list of perils such as a fire, flood, and an escape of water (such as a burst pipe), amongst other things.

The professional reports available (that all parties have already had sight of) suggest that damage occurred overtime as a result of problems with a balcony attached to the property above. This isn't disputed by either party. Therefore, I'm not persuaded the evidence supports an insured peril was the proximate cause of the resultant damage here.

Mr W said he wasn't aware of any damage until it was uncovered by contractors. I'm persuaded this was more likely than not the case. I say this because I don't think the home buyers report Mr W received would have given him much cause for concern – particularly on the issues uncovered. But I don't find that means I can fairly require Allied to accept the claim on the basis Mr W was unaware of the damage.

I say this because, as mentioned above, the proximate cause of damage was said to be the result of problems with the balcony attached to the flat above, rather than due to a one-off insured peril. Therefore, I don't find the conclusion reached by Allied to decline the claim to be unfair or unreasonable – and so I don't seek to interfere with it.

I recognise Mr W says Allied provided different reasons to decline the claim. He says it relied on assumptions that damage was historic and pre-dated the policy start date / property ownership. It also referenced wear and tear, and gradual damage.

Mr W appealed Allied's first decline decision in September 2023. And despite some delay and several chasers, Allied concluded damage wasn't due to a one-off insured peril. Mr W says it was unreasonable for Allied to change its claim decision reasons having already declined it on a different basis.

I'm not persuaded this argument makes a material difference to the outcome of the claim or this complaint. I say this because Allied declined the claim initially and within that referred to the fact an insured peril must be the direct cause of damage. Mr W wrote Allied an appeal letter, and I find it was reasonable for it to consider its position at that point, and it provided Mr W with its final position on the claim, in December 2023.

I've thought about the claim journey overall and whether Allied caused Mr W to experience further distress and inconvenience – over and above what's naturally expected following a claim involving significant property damage in a recently purchased investment property.

Mr W said he held off starting repairs while the claim was running and was left covering the various expenses associated with the property.

The claim was raised in August 2023 and Allied (via the loss adjuster) declined the claim in September 2023. I recognise Mr W appealed this, but I think it's fair to say this initial decline letter ought reasonably to have put him on notice that Allied wouldn't be assisting him with the claim.

There was some delay between Mr W appealing Allied's initial claim decision, to it responding, of roughly a few weeks. Allied accept it ought to have provided Mr W with a more appropriate level of customer service in this respect. And I agree.

Allied offered to pay Mr W £300 compensation in total to recognise these service issues. All things considered – I'm satisfied this amount is fair, reasonable, and proportionate, in the circumstances of this complaint. So, it follows, I don't require Allied to take any further action here.

I accept my decision will come as a disappointment to Mr W. But it ends what we – in attempting to informally resolve his dispute with Allied – can do for him in this specific complaint.

My final decision

For the reasons I've given above, I've decided not to uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 June 2024.

Liam Hickey
Ombudsman