

The complaint

A business I'll refer to as "P" complains Allianz Insurance Plc unfairly declined an escape of water claim under a Real Estate Select insurance policy.

What happened

Details of the claim are known to all parties, so I won't repeat them again in detail here. In this decision, I'll summarise my understanding and mainly focus on giving the reasons for reaching the outcome I have.

P is the leaseholder of a flat it rents to tenants. The property suffered extensive damage in 2022. P says it was the result of a ruptured waste pipe in the property above and backing up of drains, and a second incident where pipes leaked in the screed floor.

The landlord of the building arranged for the waste pipe to be replaced and cleared underground pipes. P arranged the removal of the tenants' contents, repairs, and reinstatement works. P raised a claim to Allianz seeking a payment of roughly £21,000 for the cost of reinstatement works, and five months loss of rent.

Allianz told P they couldn't assist with the claim. Two visits took place at P's property and loss adjusters concluded broadly that damage occurred overtime due to poor external conditions and a lack of mitigation of ongoing maintenance issues. Photos of damage showed pre-existing issues and significant property deterioration in the immediate aftermath of the incidents, which Allianz said wasn't consistent with a one-off insured event.

Allianz also say the previous tenant explained damp was an ongoing problem during their time at the property. And they had to switch the water off when not in use to prevent leaks.

P said photos show standing water which supports an escape of water occurred, the tenant hadn't reported damp or leak issues previously, and the property was found to be in good condition when inspected in 2019. P also says mould growth seen in photos was the result of damp conditions and other factors. As it didn't agree with the claim decision, it approached our Service for an impartial review.

The investigator didn't recommend the complaint be upheld. He thought Allianz took reasonable steps to reach a fair decision on the claim. He was more persuaded the problems occurred overtime and weren't the result of a one-off insured event. P didn't agree.

As the complaint can't be resolved informally, it's been passed to me to make a decision.

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.

What I must decide is whether it was fair and reasonable for Allianz to decline the claim based on the information available to them at the time. Or, whether I'm more persuaded the damage occurred in the way P says it did.

P promptly appointed contractors following the 1 February 2022 escape of water incident. They removed damaged belongings owned by the tenant, and pumped water out. An invoice was sent to P on 17 February 2022 confirming these works were completed.

P provided photos of the damage. These photos show a person inside the property I'd say is likely the tenant, along with some of their belongings. So, I'm persuaded these photos were more likely than not taken in the immediate aftermath of the 1 February 2022 incident.

P reported the loss occurred due to a ruptured waste pipe within the kitchen in the property above and backing up of underground drains. One photo shows an external drain and P describes this as showing '*Backing up of Drains to rear of flat*'. There was another issue reported by P, in April 2022, which I'll return to later.

Photos show the extent of damage such as mould growth which can be seen on the walls. This damage isn't something I'd expect to see in the immediate aftermath of a sudden, unforeseen, and unexpected one-off insured event. Rather, it's my view this damage is consistent with damage that occurs overtime.

Therefore, I'm more persuaded the photos of damage supports Allianz's view that damage isn't consistent with a one-off insured event and occurred overtime.

I acknowledge P says mould growth seen in photos was the result of the damp atmosphere, the heating being on, and double-glazed windows. That may be the case. But I'm not persuaded the extent of the mould growth and damage seen in photos occurred between the time the incident was said to have occurred to these photos being taken.

Allianz concluded, broadly, that damage occurred overtime due to poor external conditions and a lack of maintenance. It seems on balance the likely proximate cause was a blockage in the waste system that caused water to back up through the sink in the kitchen of the above property. This is something that would occur overtime. The landlord had the waste pipe replaced and cleared the underground drainage.

They also say their claim decision was supported by the tenant who said issues with damp and mould was a common problem. And the water had to be turned off when not in use to avoid a leak. I acknowledge P says the tenant didn't bring these issues to its attention and had the extent of damage seen in photos been present overtime, the property wouldn't have been habitable.

There was an inventory and schedule of condition report completed in 2019. This says the property was generally in good condition having been freshly painted throughout. There was some staining on walls found. So, I do take P's point this report supports the property was generally in good condition then. But given much of it was freshly painted prior to this report being completed, it's unlikely any existing damp and mould issues would have been immediately apparent. Allianz's loss adjuster also reported they found staining appearing on walls during their visit.

Returning to the other leak found while repair works were underway. The claim notes suggest this was found during the time reinstatement works were being carried out, around April 2022. I say this because P told Allianz only some snagging works remained left to be done at this point.

In the event of an escape of water, an insurance policy is generally designed to cover the resultant damage and not the repair or replacement of the leaking pipe itself. I understand the existing pipework said to be leaking was abandoned, and new pipework was installed. I wouldn't expect Allianz to bear the cost of this work under the policy.

In concluding, based on all the information available to me, I'm not satisfied Allianz failed to take reasonable steps to fairly assess the claim. Nor am I persuaded their decision to decline the claim as damage wasn't consistent with a one-off insured event, and problems occurred overtime, was an unreasonable one.

Therefore, I don't find Allianz acted unfairly or unreasonably not to accept responsibility for covering the costs P incurred in carrying out reinstatement works or covering its loss of rent over this period.

I accept my decision will come as a disappointment to P. But it ends what we – in attempting to informally resolve its dispute with Allianz – can do for it.

My final decision

For the reasons I've mentioned above, my final decision is I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 27 November 2023.

Liam Hickey
Ombudsman