

# Ombudsman news

essential reading for people interested in financial complaints  
– and how to prevent or settle them



chief ombudsman, **Walter Merricks**

## A sombre outlook

At this time of the year, during the period of consultation on our corporate plan and budget, we encourage input from consumer groups and financial businesses.

As part of this consultation process I visit the main trade associations – to meet the practitioner members on their committees and to discuss the trends they are seeing in complaint numbers. Our own forecast for the number of cases we expect to receive in the coming year (150,000) is considerably up on the number we forecast for the *current* year (90,000) – and our budget is having to rise commensurately.

The mood among those I have visited has been largely sombre, with many practitioners worried about their own businesses. The amount they will be paying towards the ombudsman service is significantly less than the levies needed for the Financial Services Authority (FSA) and for the Financial Services Compensation Scheme. Everyone seems to accept that complaints are bound to rise in times like these, and I can confirm that this is happening already.

But if these complaints were simply a symptom of stressed consumers seeking a desperate lifeline – and throwing a hopeless complaint to the ombudsman – I would expect the rate at which we uphold complaints ▶

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to fall. Sadly it is rising. And it is clear that the rise is attributable in part to stressed businesses rejecting complaints they would previously have taken more care to investigate – and might have settled.

In its *Financial Risk Outlook*, the FSA warns firms against cutting back their resource devoted to complaints-handling – which I imagine means that the FSA will scrutinise this area more closely.

So I suspect that the lowered heads and furrowed brows I have seen recently indicate that firms are wrestling with how to comply with the FSA's complaints-handling requirement – and at the same time make the right calls in managing their businesses through this recession. For their employees and their customers, I hope they succeed. Rebuilding trust in financial services requires acknowledging where things have gone wrong and putting them right.

**Walter Merricks**, chief ombudsman



**Financial  
Ombudsman  
Service**

**South Quay Plaza  
183 Marsh Wall  
London E14 9SR**

switchboard

**020 7964 1000**

consumer helpline

**0845 080 1800 or 0300 123 9 123**

open 9am to 5pm Monday to Friday

technical advice desk

**020 7964 1400**

open 10am to 4pm Monday to Friday

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*Ombudsman news* is not a definitive  
statement of the law, our approach or our  
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the position at the date of publication.

The illustrative case studies are based broadly  
on real-life cases, but are not precedents.  
We decide individual cases on their own facts.

# Consumer credit complaints

## – some recent case studies

Most of us find credit a useful way of spreading out the cost of any extra spending, particularly at holiday times or when paying for expensive items such as furniture. And most people manage their borrowing and repay it successfully without encountering any problems with the business that provided them with credit.

Where problems do arise, however, consumers can sometimes feel that – because they owe the business money – they will be at a disadvantage if they complain about something it has done. Vulnerable consumers, and others who lack the confidence to argue their case, are particularly likely to be hesitant about challenging the actions of a financial business.

The ombudsman service does not expect the consumers who bring a complaint to us to understand what law and rules apply in their particular circumstances. Nor do we expect them to be able to argue their case in the way that would be necessary if they went to court. It does not matter if they find it difficult to put their points across in writing, as we take care to ensure we take all relevant facts into account and that nothing important is missed or ignored.

One of the most important aspects of our work in resolving consumer credit complaints is helping the businesses and consumers concerned to understand what we regard as a fair approach to resolving the dispute. Where we think the financial business has done something wrong, we explore how an appropriate ▶

- ◀ settlement can be reached with the minimum of delay and formality.

As these case studies show, mediation is generally the most effective means of resolving consumer credit complaints. It has the advantage of allowing the two sides to draw a line under matters quickly – an important consideration where the consumer is experiencing financial hardship.

People who bring consumer credit complaints to us sometimes have wider debt problems, in addition to those that relate to their complaint. Where we think such consumers would benefit from specialist debt-counselling, we give them contact details for the main cost-free agencies that could help them.

The following cases include a complaint made to a lender about the quality of goods that were bought on credit. Financial businesses are sometimes unaware that we are able to deal with such matters, but we quite frequently resolve disputes of this type.

■ **75/1**  
**vulnerable consumer's debt to mail-order catalogue spirals unfairly after being passed on to a debt-collector**

Mrs L, who was in her 80s, occasionally bought clothes and other items by mail order. She found this convenient as she was not often able to get out of the house to go shopping. She lived alone and had severe arthritis.

After ordering two blouses from a mail-order catalogue, at a total cost of £26,

she was disappointed to find they were a poor fit and that she would have to return them. The catalogue company allowed customers a short period in which they could return any unwanted items without charge.

Unfortunately, just two days after receiving the blouses, Mrs L was taken seriously ill. She was admitted to hospital for major surgery and it was some while before she was able to return home.

It was several weeks after that before she was well enough to start dealing with her

correspondence. She then realised that she had never got round to returning the blouses. After parcelling them up with a note, apologising for the delay, she asked a neighbour to post them back to the catalogue company.

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**... we thought the circumstances of the case warranted some flexibility.**

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By then, however, the company had registered the £26 as an *'unpaid debt'* and had sold it on to a debt-collecting business. Mrs L was alarmed to receive a letter from the debt-collector saying she now owed nearly £250, because interest and charges had been added to her debt.

Mrs L contacted the debt-collector right away. She said there must have been some misunderstanding, as she had returned the blouses and did not think she now owed anything. She received a reply, still insisting that she owed nearly £250. Mrs L then got in touch with a consumer advice centre and it helped her to bring a complaint to us.

**complaint resolved**

We found that the debt-collector had made no attempt to check whether Mrs L *had* returned the blouses to the catalogue company. The debt-collector was also unable to explain to our satisfaction how a small debt had grown so quickly.

We accepted that Mrs L had not returned the blouses within the period specified by the catalogue company. However, we thought the circumstances of the case warranted some flexibility.

After we discussed the case with the debt-collector, it agreed to write-off the debt and to remove any reference to it on Mrs L's credit reference file.

Mrs L and her adviser were happy to settle the complaint on that basis. ■

■ **75/2**  
**debt-management company's poor administration creates further difficulties for consumers seeking help with existing debts**

Mr and Mrs J contacted a debt-management company after seeing its advertisement in a local newspaper. The company offered its customers a *'debt-management plan'* that would leave them *'debt-free in five years'*.

The couple were greatly relieved when the company said it could help them. They had a number of personal debts and the total amount they were paying out each month to meet the repayments had become unmanageable.

The debt-management company contacted all the businesses that had lent the couple money. It reached agreement with these creditors for the couple to ▶

make a '*reduced settlement*' of their debt. In other words, the creditors agreed to accept a somewhat smaller amount to settle the debt than the actual sum outstanding. The agreed amounts would be paid over the next five years, by means of regular monthly repayments.

The couple arranged to pay the debt-management company a set amount each month. The company then made the agreed payments on their behalf to the various creditors.

Unfortunately, administrative errors by the debt-management company meant that its payments to the creditors were frequently delayed. Eventually, one of the creditors lost patience and obtained a 'charging order' over Mr and Mrs J's home. This meant that the creditor was entitled to go to court and force the sale of the couple's home if the debt it was owed was not paid in full.

Mr and Mrs J got in touch with the debt-management company immediately and asked why it had allowed such a serious situation to arise.

Unhappy with the response they received, they then came to us.

### **complaint resolved**

Mr and Mrs J had paid the debt-management company an initial fee for its services, in addition to regular administrative charges. And we were satisfied that all their monthly payments to the debt-management company had been made promptly and in full, as agreed.

The company must have been well aware that any delay on its part in paying Mr and Mrs J's creditors would have a serious effect on the couple's already-fragile financial position.

We told the company it should refund the initial fee and all the administration charges that Mr and Mrs J had paid. It should also add £350 in recognition of the distress and inconvenience the couple had been caused.

Mr and Mrs J were happy to accept the amount they were offered in settlement of their complaint. Totalling just over £5000, it enabled them to repay in full the debt that had been secured on their home. ■

## ... Administrative errors by the debt-management company meant that its payments were frequently delayed.

### ■ 75/3 complaint about furniture bought with 'point-of-sale' loan is referred to the lender when furniture store refuses to help

Mrs D bought a three-piece suite from a furniture superstore, using a 'point-of-sale loan'. This is a type of loan that a supplier of goods or services makes available to its customers because it has an existing agreement with a lender. The consumer applies for the loan through the supplier. The lender then pays the proceeds of the loan direct to the supplier.

Loans of this type are covered by Section 75 of the *Consumer Credit Act 1974* (the 'Act'). Under the Act, as long as the value of the credit transaction is no less than £100 and no more than £30,000, the credit provider is *jointly* liable with the supplier of the goods for any breach of contract or misrepresentation.

Within a year of buying the suite, Mrs D contacted the store to complain about it. She said the cushions on the

seats and arms had flattened out to such an extent that the suite was no longer comfortable to sit on. The store refused to help, so she contacted the lender.

The lender arranged for a representative of the furniture store to inspect the suite and make a report. In this report, the store's representative said the problem was '*related to Mrs D's home environment, as a short-term foster carer*'. The representative concluded that the complaint was unjustified. The lender therefore said it was unable to help further. Mrs D felt this was unfair and she referred her complaint to us.

### complaint resolved

We told the lender we did not see how a representative of the store from which Mrs D had bought the suite was in a position to provide an *independent* report. We also questioned whether the particular individual concerned was suitably qualified to make an assessment of this type. ▶

## ... She said she often received up to ten calls a day from the debt-collector.

The lender then agreed to pay for a fully independent expert to inspect the suite and submit a report. This report concluded that Mrs D's complaint about the quality of the suite was justified, and it noted that Mrs D '*clearly looks after all her furniture very well*'.

On the basis of this report, the lender offered to refund everything Mrs D had paid under the loan agreement. It said it would add £100 to reflect the inconvenience she had been caused. It would also arrange for the suite to be collected from her house and taken away.

We told Mrs D we thought the lender's offer represented a fair resolution of the dispute, in the circumstances, and she was happy to accept it. ■

### ■ 75/4 consumer complains of '*harassment*' by debt-collector '*chasing*' a credit-card debt

Mrs B complained that she was being '*harassed*' by a debt-collection company, '*chasing*' her to make payments in order to clear a credit-card debt. She said she often received up to ten calls a day from the debt-collector, sometimes outside what she considered to be normal working hours. She told us she found the calls upsetting and that they were sometimes abusive, so she usually put the phone down as soon as she realised who was calling.

She accepted that she had missed a number of payments. However, she said she had felt justified in withholding the money because of the way the debt-collector was behaving towards her.



### **complaint not upheld**

The debt-collector kept a computer-generated phone log, which recorded details of all the calls made from its office. From this, we established that the company *had* made a number of calls to Mrs B's number. However, it had never called her more than once a day – and had always contacted her within normal working hours. The staff concerned had kept proper notes of their calls to Mrs B and we were not persuaded that she had any grounds for saying the callers had been abusive.

Overall, we did not think the debt-collector had behaved unreasonably. The frequency of its calls appeared to result in large part from her refusal to discuss the situation or to offer any payment. We explained this to Mrs B when we told her we were unable to uphold her complaint.

We reminded her that she was entitled to ask the debt-collector to discuss the situation with her by letter, rather than by phone, if that was what she preferred. We also gave her details of some cost-free debt-counselling agencies. ■

### ■ **75/5**

#### **lender fails to remind consumer of his payment options before initial interest-free period comes to an end**

In November 2006 Mr M bought a leather sofa and signed up for a special deal offered by the furniture store.

Under the deal, he was not required to pay anything at all for the first year. At the end of that year he would have two options. If he paid £450 (the full cost of the sofa) he would not be charged any interest. ▶

Otherwise, he would be required to make 36 monthly payments, to which interest would be added.

Mr M later told us it had always been his intention to pay in full at the end of the first year. He had calculated that the addition of interest would make it very much more expensive to pay in instalments.

He assumed that the furniture store – or the finance company – would contact him before the first year came to an end. He would then confirm that he wished to settle his account in full.

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**... The company never asked him which payment option he had chosen.**

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Mr M gave the matter no more thought until he received his bank statement at the end of November 2007.

This showed that a sum of money – apparently connected to his purchase of the sofa – had recently been debited from his account.

After contacting the finance company, he discovered that this sum was the first of the monthly repayments.

He complained that he had not wished to pay in instalments and he offered to send a cheque for £450 right away. However, the company told him that was not acceptable. It said he had left it too late to take advantage of the interest-free payment option.

Mr M admitted that the precise date by which he needed to pay the £450 had slipped his mind. However, he said he thought the company's stance was unreasonable, as it had never contacted him to ask which payment option he had chosen.

## ... It reflects what the credit industry generally considers to be good practice.

The company insisted that it could now only accept payment by instalments. After being obliged to make a series of monthly payments that (including interest) totalled £1,125, Mr M brought his complaint to us.

### **complaint upheld**

When resolving disputes we have reference to any relevant codes of practice, as well as to the regulatory and legal position and to what we consider fair and reasonable. In this particular case, we felt that a section of the *Lending Code* produced by the Finance & Leasing Association (FLA) was relevant. This says that creditors should write to borrowers before the end of an interest-free option period, to remind them of the options available under their agreement.

The finance company argued that as it was not a member of the FLA, the *Lending Code* was not relevant to this complaint.

We said that the FLA is the leading trade association for the UK's consumer credit sector. We therefore consider its *Lending Code* to reflect what the credit industry considers to be good practice generally, for firms within this sector.

Many credit providers do, as a matter of course, remind borrowers of their options before an interest-free period comes to an end. We therefore thought it reasonable for Mr M to have expected such a reminder.

We upheld the complaint and told the finance company to refund the amount it had charged Mr M in interest. ■

# Taking forward the ombudsman's accessibility and transparency agenda

To help us with our ongoing plans to develop and implement our approach to accessibility and transparency, we have set up a discussion group made up of financial services practitioners and representatives from consumer organisations.

The group has no formal decision-making role but it provides a valuable forum for discussion and liaison. Members of the group take part in a personal capacity rather than formally 'representing' any particular business, constituency or interest group. The aim is that the group will allow us to draw on the diverse views and experience of as wide as possible a cross-section of the retail financial-services sector and the consumer advice and advocacy world.

Issues the group has discussed include:

- the potential barriers that might discourage some consumers from bringing complaints to us (ranging from mental health problems to time-limits for bringing complaints);
- our liaison arrangements with the industry and consumer organisations;
- our outreach and awareness-raising work with those who are less engaged; *and*
- the practicalities involved in our proposals to publish complaints-data about individual named businesses.

We are grateful to the members of group – listed below – for their time and effort in discussing these key areas of work with us.

## **Carolyn Bedwell**

**customer experience director,**

**Legal and General Assurance Society Ltd**

Carolyn joined Legal and General in 1983 and has held various operational and change-management roles within the company, leading up to her appointment as customer experience director in 2006. In this role she has oversight of Legal and General's 'Customer Experience Programme' and 'Treating Customer Fairly' outcomes, as well as of the Association of British Insurers' (ABI) 'Customer Impact' scheme. Carolyn is a member of the ABI Consumer Strategy Committee.

## **Monica Coke**

**minority-business development policy manager,**

**Advantage West Midlands**

Monica represents the West Midlands Minority-Ethnic Business Forum that works alongside Advantage West Midlands (the regional development agency) and a range of private/public-sector partners. The Forum is an independent, strategic body covering the



*Members of our accessibility and transparency discussion group at their recent meeting.*

interests of minority-ethnic managed/owned businesses across the West Midlands.

Monica sits on various boards nationally – including the Caribbean Board, under the auspices of the Foreign and Commonwealth Office – and she is a governor at City College, Birmingham. She is involved with a wide range of community projects, including the Birmingham Ishango Science Club, which works to raise the educational achievements of African-Caribbean young people.

### **Jonathan Cornell**

**managing director, Hamptons International**

Jonathan has been working in financial services for almost 15 years. Initially he worked for NatWest Life and NatWest Mortgage Services as a consultant and then as a sales manager. He joined Hamptons in 2002 as a consultant and was appointed managing director in August 2008.

### **Sue Edwards**

**head of consumer policy, Citizens Advice**

Sue has been working in the advice sector since 1990. She joined the Citizens Advice Social Policy Department in 2000 and has written a number of reports about personal debt.

### **Yvonne Gallagher**

**chief executive, Money Advice Scotland**

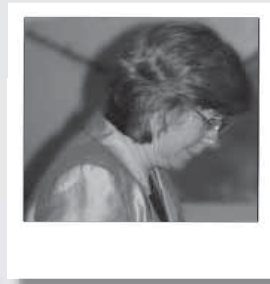
Yvonne has been involved in credit and debt matters since 1987 and has been chief executive of Money Advice Scotland since April 1997. An advocate of standards and qualifications, her desire is to see the money-advice field in Scotland move towards Institute status. She was involved in developing the statutory accreditation scheme for money advisers under the *Debt Arrangement and Attachment Act*.

Yvonne is a well-respected author on issues relating to credit and debt, and she broadcasts regularly on national TV and radio. She also writes the money advice column for *Scotland on Sunday's* 'Money Desk' and she contributes regularly to other publications.

### **Tony Hetherington**

**financial journalist and member of the Financial Services Consumer Panel**

Tony has worked as a financial journalist for ITN and *Times Newspapers*, and now writes for the *Mail on Sunday* about readers' financial problems. He is also a member of the Financial Services Consumer Panel, a statutory body that advises the Financial Services Authority. ▶



### **Peter Melling**

**director of retail external risk,  
Royal Bank of Scotland**

Peter began his career as a solicitor in private practice, specialising in litigation and advocacy. He moved into retail financial services in 1989 and since then he has worked across a range of areas, most recently specialising in plastic-cards and card-fraud work. He has headed up RBS's retail external-risk team since July 2007.

### **Pete Sowden**

**head of service quality  
Yorkshire Building Society**

Pete has been with the Yorkshire Building Society for 30 years, holding a variety of roles – mostly in customer-facing parts of the business.

His current role as head of service quality includes responsibility for business-wide service delivery and customer experience, service improvement, and complaints-handling operations.

Given his 'customer champion' role, Pete is heavily involved in the Society's response to the FSA's 'Treating Customers Fairly' initiative. Pete was awarded the title of 'National Customer Service Professional of the Year' for 2003/04 (through the Customer Management National Customer Service Awards).

### **Bill Taylor**

**independent financial adviser**

Bill has been an independent financial adviser (IFA) in the Southend area since 1986 and has spent all his working life in financial advice. He began his career with the Prudential as a home-service agent before moving to the Co-operative Society, where he progressed to management. He subsequently joined UKPI as a life inspector, later being invited to join a local brokerage. Since 1997 he has run his own IFA practice as part of the Ashley Law Group. Since 2005 he has also been a council member of the Association of Independent Financial Advisers.

### **Doug Taylor**

**personal finance campaign manager, *Which?***

Doug co-ordinates the diverse strands of the *Which?* personal finance campaigns and acts as a media spokesman on these issues.

He currently sits on a wide range of financial working-groups including: the FSA's Retail Savings Regulatory Strategy Group; the EU Consumer Consultative Group on Financial Services; the Personal Accounts Delivery Authority's consumer representative group; and the Pensions Regulator's Investment Governance Group. Before joining *Which?*, Doug was deputy chief executive of the British Society for Rheumatology.


### **Jane Vass**

**financial services policy adviser,**

**Age Concern England**

Jane Vass has been the financial services policy adviser at Age Concern England since 2006.

She was previously an independent consumer consultant and writer, specialising in financial services from the consumer viewpoint. In this

capacity she undertook research, including reports for the National Consumer Council on equity release and on savings and investments for low-income consumers. She worked for the Consumers' Association (*Which?*) from 1983 to 1993 and is a former member of the Financial Services Consumer Panel. 

## **There is further information on our website about our accessibility and transparency work, including:**

### **details of our community outreach programmes**

[www.financial-ombudsman.org.uk/accessibility/outreach\\_work.htm](http://www.financial-ombudsman.org.uk/accessibility/outreach_work.htm)

### **our accessibility resources for customers**

[www.financial-ombudsman.org.uk/accessibility/index.htm](http://www.financial-ombudsman.org.uk/accessibility/index.htm)

### **our policy statements setting out our strategic approach to accessibility and transparency issues**

[www.financial-ombudsman.org.uk/publications/policy\\_statements.html](http://www.financial-ombudsman.org.uk/publications/policy_statements.html)

### **accessibility and transparency initiatives proposed for the 2009/10 financial year**

**– as set out in our corporate plan and budget**

[www.financial-ombudsman.org.uk/publications/pb09/pb09-3.html](http://www.financial-ombudsman.org.uk/publications/pb09/pb09-3.html)

### **recent initiatives and projects – an action list for discussion by the accessibility and transparency discussion group**

[www.financial-ombudsman.org.uk/publications/policy-statements/accessibility-transparency-updatefeb09.pdf](http://www.financial-ombudsman.org.uk/publications/policy-statements/accessibility-transparency-updatefeb09.pdf)

# Complaints involving household contents insurance

■ **75/6**  
**when part of a matching bathroom suite is damaged – policyholder asks insurer to contribute to cost of an entire new suite**

The basin in Mrs N's bathroom was accidentally damaged, so she rang her insurer to check she was covered for the cost of replacing it. The basin was part of a matching suite and she was worried she might not find a new basin that looked the same as the rest of the suite.

The insurer later told us it outlined what its normal approach would be where a matching item could not be obtained. It said it explained to Mrs N that it would meet the full cost of replacing the *damaged* item. It would probably also make a contribution towards the cost of replacing the *undamaged* items in the bathroom suite. Its contribution was likely to be about 50% of the cost.

This approach is the one we would usually expect an insurer to take in such circumstances.

Mrs N said the insurer had told her it was '*highly unlikely*' an exact replacement could be obtained for her basin. She should therefore get a quotation for a new bathroom suite.

A few days after phoning the insurer, Mrs N visited a bathroom supplier and obtained a quotation. Meanwhile, the insurer's representative arranged to inspect the damaged basin. He told Mrs N he would establish whether or not an identical replacement could be sourced, and he would then report back to the insurer.

Before the representative had submitted his report, and without contacting the insurer again, Mrs N went ahead and



## ... She was worried she might not find a new basin that matched the *undamaged* items in her bathroom suite.

bought a new bathroom suite. She then put in a claim for the full cost of the new basin and for half the cost of the rest of the suite.

The insurer told her it would only meet the part of her claim that related to the basin. It said its representative had managed to find an identical replacement for the damaged basin. There had therefore been no need for her to replace the whole suite.

Mrs N complained that the insurer was being unreasonable, and in due course she referred the matter to us.

### **complaint not upheld**

Mrs N was adamant that the insurer had said it was '*highly unlikely*' that an exact replacement could be found. She said it was only because the insurer was so certain about this that she had bought the new bathroom suite.

We listened to the insurer's tape-recording of its conversations with Mrs N. The insurer *had* said it was unlikely that a new basin could be found that matched the remaining items in the suite. However, the insurer had also stressed

that its representative would look into this for her. The insurer made it very clear that she should wait for the representative to report back. She should then contact the insurer again before taking things any further.

We looked at the length of time the insurer and its representative had taken to progress matters. We did not think this was at all unreasonable. And there was nothing to suggest that the insurer had misled Mrs M in any way, either about what the policy covered or about how it would deal with her claim.

We said the insurer had not acted unreasonably in the circumstances and we did not uphold the complaint. ■

### ■ **75/7**

#### **policyholder replaces entire bathroom suite when insurer fails to let her know if a matching replacement can be obtained for her damaged bath**

Miss A contacted her insurer after her bath was badly damaged. The insurer said its representative would inspect ►

## ... She was not given any clear explanation of how her claim would be progressed.

the bath. He would then find out if it was possible to replace it with a new bath that matched the rest of her bathroom suite.

The insurer's representative failed to turn up on the day he had agreed to visit Miss A at home. The insurer apologised and arranged a new appointment for a couple of weeks later. Unfortunately, the representative again failed to turn up.

By this time, Miss A was getting very annoyed at the insurer's apparent lack of progress with her claim. She visited a number of suppliers to try and find a suitable bath herself. However, she concluded that nothing was available that was even an approximate match to the rest of her bathroom suite. She therefore ordered and paid for an entirely new suite and put in a claim for the total cost.

The insurer told her that, under the terms of her policy, she was only entitled to the cost of replacing her bath. It refused to pay for more than that and it dismissed her complaint that she had been unfairly treated. Miss A then came to us.

### **complaint upheld**

The insurer maintained that it had made a fair offer in the circumstances. It said that Miss A had not given it the opportunity to establish whether it could obtain a new bath that matched the rest of her bathroom suite. If that was possible, then there would be no need for her to replace the entire suite.

We noted that the insurer's representative had twice failed to keep an appointment to inspect the damaged bath. And on neither of these occasions had anyone contacted Miss A to let her know the appointment was cancelled.

We listened to the insurer's tape-recordings of its conversations with Miss A. These showed it had discussed very little with her other than the arrangements for the representative to visit her. She was certainly not given any clear explanation of how her claim would be progressed.

We said the insurer should pay Miss A an amount equal to the full value of the replacement bath. It should also pay 50%

of the value of the other items in the new bathroom suite. We explained that this was in line with what is generally regarded as good practice in such cases and Miss A was happy to accept. ■

■ **75/8**  
**insurer refuses claim for a lost designer watch because policyholder cannot provide any proof of ownership**

Mr B made a claim under his contents policy for the cost of replacing his designer watch. He said he lost the watch while on a mountain-walking trip one weekend. As soon as he got home he reported the loss to the police and obtained a crime reference number.

His policy covered personal belongings in and away from his home. He told the insurer that the watch had been worth over £1,800. However, he was aware that his policy had a limit of £1,500 for single items. He had therefore managed to find and buy a replacement that was similar in style to the watch he had lost, but that only cost £1,450.

The insurer said it needed to establish his ownership of the lost watch before it could consider the claim. It asked to see the original receipt. Mr B said he did not have a receipt because the watch had been a gift. He thought it highly unlikely that the friend who gave him the watch would still have the receipt. In any event, he did not feel he could ask her about it.

When the insurer said it was unable to take matters further without the receipt, Mr B complained to us.

We looked in detail at the contents policy. Like many such policies, it included a section about the need for policyholders to provide proof of ownership when making a claim. ▶

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**... The insurer said it was unable to take matters further without the receipt.**

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We reminded the insurer that possession of a receipt was not the only means of establishing ownership. If Mr B was unable to ask his friend for the receipt – or for a copy of her credit card statement showing the purchase of the watch – he might be able to produce the guarantee or the box the watch had come in. Or he might have a photograph that clearly showed him wearing the watch.

We contacted Mr B and asked if he could provide any such evidence. A few days later he wrote to tell us he was withdrawing his complaint and no longer wished to pursue the matter. ■

■ **75/9**  
**after claiming for a damaged carpet,**  
**policyholder questions insurer's**  
**assessment of its replacement value and**  
**the offer of a reduced cash settlement**

Mr and Mrs K's living room carpet was badly damaged after a substantial amount of water came through the ceiling from the flat above. After contacting the firm that had supplied the carpet and

obtaining a quotation for replacing it, they rang their contents insurer.

The insurer arranged for a loss assessor to inspect the damaged carpet. The loss assessor agreed that the carpet would have to be replaced. However, he said the quotation the couple had obtained was too high.

Under the terms of the policy, the insurer could decide whether to make a cash payment to the policyholder or to source the replacement item itself. In this case, the insurer decided to source the replacement itself. It sent Mr and Mrs K a letter authorising them to visit a specific supplier and select a new carpet. The insurer would then settle the bill direct with the supplier.

The couple visited the supplier in question and looked at the carpets that were available. They were concerned that the insurer had set them an overall price limit that was much lower than they thought it should have been. But in any event, the supplier had no carpets of a similar colour to the one that had been damaged.

## ... We reminded the insurer that possession of a receipt was not the only means of establishing ownership.

Mr and Mrs K then contacted the insurer. They said the supplier they had visited had nothing suitable for them. The retailer who supplied their original carpet had assured them it was of a particularly good quality because of the density of the pile. They therefore said the insurer should increase the amount it was prepared to pay for a replacement. They asked the insurer to pay this amount direct to them, as a cash settlement. They would then find a suitable replacement themselves, from their own choice of supplier.

The insurer said the replacement value of the carpet was based on what the loss assessor considered appropriate. He had examined the damaged carpet carefully and had not found it to be of an especially high quality. The insurer was therefore not prepared to offer more than the amount it had already stated. And it said that any cash settlement would be 25% less than that amount. This was because it would have been able to obtain the carpet at a reduced cost if the couple had used its preferred supplier.

Unable to reach agreement with the insurer, Mr and Mrs K brought their complaint to us.

### **complaint upheld**

When we looked into the case in detail, we found that the quality of Mr and Mrs K's carpet was not as high as their supplier had led them to believe. They were naturally very disappointed to learn this, as it suggested they had received a poor deal when they bought it. However, we considered that the replacement value they were offered was reasonable.

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### ... The replacement value of the carpet was based on what the loss assessor considered appropriate.

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Taking into account all the circumstances of this dispute, including the couple's increasingly difficult relations with the insurer, we said the insurer should make a cash settlement. The amount should be sufficient for Mr and Mrs K to obtain, from a supplier of their own choice, a new carpet of the same quality as the one that was damaged. The insurer could not deduct the 25% reduction it would have got from its own supplier. ■

## ... She thought it *'ludicrous'* to suggest a high-street retailer could supply suitable replacements for her antique jewellery.

### ■ 75/10 policyholder told by insurer to replace stolen antique jewellery by selecting new items from a limited list of high-street retailers

Mrs W returned home from work one evening to find that someone had broken in and stolen some of her possessions, including several small items of antique jewellery.

When she rang her insurer, it confirmed that it would meet her claim. She told the insurer that she was particularly distressed over the loss of the antique jewellery. She was aware that the individual items were not especially valuable in themselves. However, they were unusual pieces that had been passed down in her family over four or five generations.

A few days later the insurer wrote to Mrs W about her claim. She was very upset when she read the letter, which listed a couple of well-known high-street jewellers

and a department store. The insurer told her to obtain replacements for the stolen jewellery at any of the shops on the list.

Mrs W told the insurer that its response to her claim was unacceptable.

She said it was *'ludicrous'* to suggest that the retailers it had listed could supply suitable replacements for her antique jewellery.

Initially, the insurer refused to change its stance. Mrs W said she wanted a cash settlement, so that she could choose where to shop. She said this was the only way she would have any chance of finding jewellery of a similar style and quality to the stolen items.

Eventually, the insurer agreed to her request. However, it said the amount would be 20% less than the amount it had already agreed her claim was worth. This was because its initial offer reflected the preferential terms it could obtain from the suppliers on its list. Mrs W then referred her complaint to us.

**complaint upheld**

We told the insurer we were surprised to learn of the approach it had taken in this case. Our views on what is reasonable – where an insurer has to decide whether to repair or replace an item, or offer a cash settlement – are well-established. Indeed this topic featured in an *ombudsman news* article as long ago as October 2001 (issue 10).

We upheld Mrs W's complaint. We told the insurer to pay her a cash settlement equal to the full cost of replacing the jewellery. We said it should not deduct the 20% discount that it could get from its preferred suppliers. We said it should also pay Mrs W a modest sum to reflect the distress and inconvenience she had been caused by its poor handling of her claim. ■ ■ ■



# the Q&A page

featuring questions that businesses and advice workers have raised recently with the ombudsman's technical advice desk – our free, expert service for professional complaints-handlers

## **Q. What impact will the recession have on the ombudsman's plans for its expected future workload?**

A. On 15 January this year we published for consultation our corporate plan for the next three years, together with our proposed budget for the next financial year (2009/10) and an update on the budget for the current year (2008/09).

We set out how we plan to gear up to resolve a forecast 44% increase in the number of disputes in the 2009/10 financial year.

This substantial increase takes account of initial forecasts from the financial services industry – and reflects the anticipated impact of the recent turmoil in the financial markets, as well as the worsening economic climate.

The *corporate plan and 2009/10 budget* is available in the publications section of our website ([www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)).

## **Q. I've recently taken over office administration at this firm. We only have a few copies of your consumer leaflet and I'm not sure if they are the most up-to-date version. How can I obtain more supplies?**

A. We regularly re-print our consumer leaflet, '*Your complaint and the ombudsman*' and sometimes take the opportunity to update the design or to make minor changes to the text. However, businesses do *not* need to order new supplies each time we update the leaflet.

You can continue to use up earlier versions that you have already ordered from us. The print date is always shown on the back inside cover of the leaflet.

Copies of the leaflet are available in packs of 25 at a cost of just £5 per pack, including postage and packing (supplies are free for libraries and for advice workers, such as citizens advice and local authority trading standards departments). As with all our publications, the consumer leaflet is available on request in other languages (Welsh, Urdu *etc*) and in different formats (audiotape/CD, Braille, large print *etc*).

You will find detailed information about the consumer leaflet, including an order form, on our website ([www.financial-ombudsman.org.uk/publications/guidance/telling-your-customers.htm](http://www.financial-ombudsman.org.uk/publications/guidance/telling-your-customers.htm)).

## **Q. Are you running any training events in the coming year for advice workers?**

A. Yes, we will be running a full programme of special events around the UK, aimed at giving advice workers the opportunity to learn more about the ombudsman service and how we operate.

We are keen to welcome people to these events from the widest range of consumer and voluntary groups – from trading standards and money advisers to community networks and local advice and support agencies.

To find out more about these free events – and how to reserve a place – look on our website at ([www.financial-ombudsman.org.uk/news/out-and-about.htm](http://www.financial-ombudsman.org.uk/news/out-and-about.htm)).