

The complaint

Ms L is unhappy with the settlement offered by Admiral Insurance (Gibraltar) Limited after she made a theft claim under her home insurance policy.

What happened

Ms L took a home insurance policy with Admiral. She had unlimited cover for buildings and £50,000 for contents. She was covered for up to £25,000 for high risk items as part of the contents cover with a maximum of £1,000 per single high risk item.

She made a claim to Admiral after her home was burgled in 2019. Admiral agreed a settlement of the buildings claim and £25,000 to cover all the high risk items.

Ms L was unhappy with the settlement offered by Admiral for the remaining contents. It said for items where there was no evidence of proof of purchase or cash withdrawals, it would settle items worth up to £250 in full, half the value of items between £250 and £1,000 and not pay anything for items worth over £1,000. She was also unhappy that Admiral had made deductions of 10% a year in respect of wear and tear on clothing and shoes.

Ms L brought her complaint to this service. Our investigator upheld it. She recommended that Admiral should:

- refund all deductions for wear and tear charged at more than 15% plus interest;
- settle items worth between £250 and £1,000 and items worth more than £1,000 in full but deducting depreciation of 15% if those items were either clothes or shoes plus interest.

As Admiral didn't agree, the matter has been referred to me.

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.

Ms L's policy says that in settling a claim Admiral will deduct an amount for wear and tear to clothing including crash helmets. This sort of deduction is normal for insurance policies and so I don't see anything wrong with this in principle. Strictly speaking when deciding how much to deduct for wear and tear, each item should be assessed individually to determine its expected lifespan, its age, original cost and the amount of wear it's suffered. This allows the insurer to assess how much a replacement would cost and how much of a deduction should be made. But this is a very time consuming process for the insurer and places an onerous burden on the policyholder because most people aren't able to remember when they bought every item of clothing, what it was made of and its price. In light of this, insurers will often apply an average percentage deduction across all items. This means that for some items it will pay too much and others too little. However it will average out across all of the items.

Some of the items claimed for were shoes bought a few years ago. Ms L says that her policy didn't mention a deduction for wear and tear on shoes. Since Admiral stated that the term "clothing" included crash helmets, I think it's reasonable to assume that the term was being

used in its broadest sense of things that people wear. So I don't think it was unreasonable of Admiral to include shoes as clothing and apply a deduction for wear and tear to them. I also think it's reasonable to treat scarves as items of clothing.

Many of the items of designer clothing and shoes appear to be in classic styles that are less likely to go out of fashion. There's no evidence as to the amount of wear they suffered. But bearing in mind Ms L's occupation was one that meant it was unlikely she wore these items to work and many items were the sort people would only wear on special occasions, I doubt that they had had heavy use. Sometimes these items actually increase in value over time despite being pre-owned. In the light of this a deduction of 10% a year seems excessive. I think a deduction of 15% overall would be fair and reasonable in the circumstances.

For any insurance claim it's a requirement for the policyholder to show that they have a valid claim. The issue in this case is not whether a burglary occurred, but whether Ms L has satisfactorily shown that she owned the items she claimed were stolen. We see many complaints where insurers haven't paid claims (or have only paid some of the claim) because they don't think the policyholder has provided sufficient proof of ownership or purchase. Each complaint we see is considered on its own facts.

Our general position is whilst there's a duty on policyholders to provide some form of proof of ownership or purchase, it isn't fair for insurers to expect them to provide proof for every item they are claiming. Similarly, we might consider it fair for insurers to expect some form of proof for expensive items such as watches and jewellery, but not for more general, normal everyday items. This is because even the most careful policyholder won't usually be able to prove purchase or ownership for every single item they own. The ideal proof is some sort of receipt. But there are numerous other forms of proof such as photos of the item, manuals or boxes that came with the item which we'll often consider sufficient.

This isn't a case where Ms L hasn't provided any proof of ownership. In respect of the items where Admiral thought there was insufficient proof of ownership or purchase, in many cases she provided boxes, dustbags, authentication cards and/or pictures of them being worn. I note that Admiral accepted this sort of evidence for high risk items where Ms L didn't have receipts. The total number of items where Ms L didn't have any evidence of purchase or ownership was relatively small in relation to the number of items claimed for. This being the case I think it would be fair for Admiral to settle the claim for the remaining items in full subject (if applicable) to the deduction for wear and tear referred to above.

One of the reasons Admiral gave for declining the claim for the remaining items was that it had been given a fake authenticity card by Ms L's daughter in support of the claim. Ms L alerted Admiral to this herself and so I think it was unfair of it to hold this against her.

There is no single item limit of £1,000 except for High risk items.

"High risk items" are defined in the policy as *"personal belongings owned by you or your family"*:

- *Any collectible items which are rare or unusual*
- *Musical instruments or audio visual, photographic or sporting equipment*
- *Computers, laptops, tablets and notebooks*
- *Jewellery, watches, pearls, precious metals or stones*
- *Pictures, prints or works of art*
- *Stamp coin or other collections"*.

I don't regard the remaining contents (largely clothing, shoes and designer bags) as falling within this definition. So I don't think it was fair of Admiral to refuse to pay anything for those remaining contents which were over £1,000 in value.

Putting things right

To put things right I think Admiral should:

- refund all deductions for wear and tear charged at more than 15% plus interest*;
- settle the claim for non-High risk contents worth between £250 and £1,000 and items worth more than £1,000 in full but deducting depreciation of 15% if those items were either clothes or shoes plus interest*.

*Interest is at a rate of 8% simple per year and payable from the date of loss to the date of settlement. If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to Ms L, it should tell her how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint and require Admiral Insurance (Gibraltar) Limited to make the payments set out in the section above headed "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 11 October 2021.

Elizabeth Grant
Ombudsman