

The complaint

X is unhappy that AXA Insurance UK Plc won't offer a cash settlement following a claim on his contents insurance policy for items stolen during a burglary.

What happened

X contacted his insurer after his property was burgled. AXA appointed assessors to validate his claim. But X had some difficulty providing full information for some of the jewellery stolen. X said AXA offered to have a jewellery company try and remake the lost items. But he wanted a cash settlement to reduce the risk of having too much jewellery in his home. And he wants AXA to agree the claim on a cash settlement basis.

AXA said the settlement options for the various items had been made in line with the terms and conditions of X's contents insurance policy. Its appointed specialists were able to replicate the three items on a like for like basis. And therefore a cash settlement option wouldn't be available. But AXA said it was willing to offer vouchers instead.

X wasn't satisfied with AXA's response. So he contacted our service and our investigator looked into the matter. She thought the contents insurance policy supported the right to replace. And there was no obligation to cash settle. But she said our service's approach was that it was unfair for an insurer to try and make a consumer accept a replacement or repair when they'd insisted on cash settlement. And she recommended AXA cash settle X's claim for what it would've cost to replace or replicate the missing items.

AXA didn't agree with our investigator. It'd acted within the terms and conditions of the policy and wasn't obliged to offer a cash settlement. AXA had historically offered cash settlements even though it could replace items. But it'd changed its approach because it was having an impact on the discount its suppliers were able to offer. So it's asked for an ombudsman's final 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.

I'm sorry to hear about the difficulties X has been experiencing following a burglary at his home. It must've been a very upsetting time for him.

The dispute in this complaint is about whether AXA has fairly chosen to replace the items in question – rather than provide a cash settlement as X has requested.

I've begun by looking at the contents insurance policy documents. In the section headed *'how we settle claims'* it says *'we may repair, reinstate or replace the damaged property. If we cannot replace or repair the property we may pay for the loss or damage in cash or cash alternative (including vouchers and/or store cards). Where we can offer repair or replacement through a preferred supplier, but we agree to pay a cash or cash alternative settlement, payment will not exceed the amount we would have paid the preferred supplier.'*

It's not unusual to find terms such as these in insurance policies. In effect it means the insurer can decide how to settle the claim. And there's nothing unreasonable about that in principle. AXA is the one paying for the claim. But I'd expect the insurer to take into account the specific circumstances of the policyholder and consider what's reasonable for them when deciding how to settle the claim.

In this case X has asked for a cash settlement instead of a voucher or replacement items. He says the three items were bought a long time ago and weren't worn by anyone in his family. It would be difficult to accurately replicate them. And he was concerned about the risk that burglars would return in the expectation he'd receive replacement items. X didn't want to have so much valuable jewellery in his home anymore.

So I need to decide if AXA has acted fairly and reasonably by declining X's request for a cash settlement. And after looking at everything X and AXA have said I don't think it has.

The terms and conditions of the contents insurance policy give AXA a number of options for settling X's claim. And in deciding what's the most appropriate method I'd expect AXA to take into account X's concerns and consider what's reasonable for both AXA and X when settling his claim.

AXA says it's fulfilled its liability to X by offering replacement items or vouchers to put him back in the position he was in before the loss. But on balance I think X's request for a cash settlement for the jewellery items is reasonable in the circumstances.

X has explained the reasons for his request. And the option of a cash settlement is available to AXA. Based on what I've seen I think it's the most appropriate settlement in this case.

I understand AXA's concerns that policyholders selecting cash settlements is having a commercial impact on the sort of service it can offer. But that doesn't override AXA's obligation to treat customers fairly or reasonably.

Putting things right

To put things right AXA should pay X a cash settlement for the jewellery items in question to the value of the discounted replacement price it would've paid.

My final decision

My final decision is that I uphold this complaint. AXA Insurance UK Plc should pay the award detailed in the section 'putting things right' above.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 6 April 2022.

Andrew Mason
Ombudsman