

The complaint

Mr D complains that Watford Insurance Company Europe Limited unfairly declined his bicycle insurance claim.

What happened

Around September 2021, Mr D's bicycle was stolen from the communal bicycle storage room of the apartment building where he lives. Mr D says his bicycle was secured on a bicycle rack in the room using a bicycle lock. Mr D reported the theft to the police and made a claim with the insurer.

Mr D complained after Watford Insurance declined his claim. The insurer pointed to its policy terms that refer to how the bicycle needs to be secured. Watford Insurance relied on the fact that the bicycle storage room didn't have its own locked door and because of this, it decided that Mr D's claim didn't meet the terms of the policy. Watford Insurance acknowledged that Mr D's apartment building had a secure access facility requiring a key or access code to gain entry - but it concluded that anyone could access the bicycle storage room once they gained access to the building itself.

Mr D asked this service to review his complaint. He says he wants the claim paid and he wants the insurer to cover the costs he's incurred because he had to hire alternative transport. Mr D also requests compensation because of the inconvenience he experienced in arranging an alternative way to travel.

Our investigator concluded that Watford Insurance had unfairly declined the claim. The investigator decided that the terms Watford Insurance had referred to weren't clear and pointed out that the overall access to Mr D's building required a key or access code. So, although the bicycle storage room itself didn't have its own lock, the investigator felt it was likely that any locking facility that could've been in place would've been the same as the main entrance to the building. The investigator said that Watford Insurance applied its terms unfairly and asked it to reconsider the claim and pay Mr D £100 compensation for the inconvenience it caused him. The investigator also asked Watford Insurance to cover the costs Mr D incurred because he had to hire alternative transport.

Watford Insurance didn't agree and said that its terms require the bicycle storage room to have its own separate key or access code. Because the insurer didn't agree, the complaint has been passed to me for a final review.

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.

Mr D's policy covers his bicycle for theft from the insured location, which, in this instance is the communal bicycle storage of his apartment building. The policy terms define communal bicycle storage as "a fully secure and enclosed residential compound specifically designed for parking bicycles; solely for the use of residents at your insured location and only

accessible through a key or access-code operated entrance or exit”.

Watford Insurance declined the claim because it says the terms require the communal storage room to have its own secure access. The insurer challenges our investigator’s opinion that the secure access to the apartment building itself was enough to satisfy the requirements of the terms. I share our investigator’s interpretation of the terms and I’ll explain why.

Despite what the insurer now says, the term itself doesn’t specifically point out that the communal storage door needs to have its own separate locking system. The terms require that the communal bicycle storage should only be accessible through a key or access code but, in my opinion, it doesn’t set out that it needs to have its own separate locking system.

Mr D’s apartment building is only accessible via a key or code operated entrance – in my view this satisfies the relevant part of the term. Also, the communal storage is its own separate room designed to specifically store bicycles securely and is solely for the use of the residents of Mr D’s apartment building. Mr D appears to have also used an appropriate bicycle lock to secure his bicycle. The terms of the policy also require that Mr D takes reasonable care to prevent damage, theft or loss. Given the above, I’m satisfied that Mr D stored his bicycle in a way that meets the terms.

The terms of the policy define theft as the unlawful taking of the insured item by way of unauthorised access to the insured location – force or violent means is also cited. I can see the parties didn’t have access to the CCTV footage, so it’s difficult to reach a conclusion on how the communal storage room was accessed. But given the apartment building has secure access and only those with a key or access code can gain entry – I think it’s reasonable to conclude that the access to the communal storage room was unauthorised. Moreover, Mr D provided pictures to show his bicycle lock was forcibly removed. So I’m satisfied that the definition of theft has been met.

Watford Insurance points out that the lack of a locking facility for the communal storage room meant that someone was able to access the room after having gained access to the building. However, as I said it’s unclear how the person(s) that carried out the theft exactly gained access to the building. It seems that the individual(s) managed to somehow get through the key/access code operated main entrance. But I disagree that the lack of a separate locking system for the communal storage is what led to the theft.

I say this because the bicycle storage area was for use of all the residents of Mr D’s apartment building. So, even if it did have its own locking system, it’s likely that it would’ve required the same key or access code as the main entrance to the building. Given the person(s) who carried out the theft was able to bypass the secure access to the building, it’s likely they would’ve been able to also bypass any secure access to the communal storage room. So I don’t think that Watford Insurance’s conclusion here is reasonable.

Nevertheless, as I’ve explained above, in my view the terms required there to be secure access to the communal storage room. And in the absence of the terms specifically saying otherwise, I think the key/access code operated main entrance to the building satisfied this part of the terms.

So, in my opinion, Watford Insurance unfairly applied its terms when declining Mr D’s claim. Therefore, I’m directing the insurer to review the claim again.

Putting things right

Watford Insurance unfairly declined Mr D’s bicycle insurance claim. To put things right the

insurer should review the claim in line with the remaining terms and conditions.

Mr D tells this service that he experienced a financial loss because of what Watford Insurance did wrong. Mr D says he's had to hire alternative transport in the form of a car and bicycle whilst this matter has been ongoing. And he's sent us invoices to show the costs he's incurred. The policy covers Mr D for the hiring of an alternative bicycle whilst awaiting the replacement of his bicycle. Mr D provided invoices to show he's paid £60.30 so far towards hiring a bicycle. So Watford Insurance should cover these costs as well as any further hire costs Mr D has incurred since. Watford Insurance should liaise directly with Mr D to establish the total hire costs he's incurred.

The policy doesn't provide cover for hiring a car as an alternative. Given the policy wouldn't have covered these costs anyway, Watford Insurance doesn't need to reimburse Mr D for the cost of hiring a car.

Mr D says he experienced an inconvenience because he had to make alternative travel arrangements. Given I've directed the insurer to reimburse Mr D for the costs he incurred, I think £100 compensation fairly reflects the level of inconvenience he experienced. So Watford Insurance should pay him this amount.

My final decision

I'm upholding this complaint and instruct Watford Insurance Company Europe Limited to settle this complaint in line with what I've set out in the "putting things right" part of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 May 2022.

Abdul Ali
Ombudsman