

The complaint

Mr and Mrs D complain that American International Group UK Limited (AIG) mishandled their claim for stolen mobile phones and failed to make reasonable adjustments for Mrs D's medical condition. I've just referred to Mrs D in this decision as she made the claim to AIG.

What happened

Mrs D held mobile phone insurance via her bank account. In June 2020 she fell victim to fraud when selling two phones and then claimed for one of them to AIG. AIG initially declined her claim saying she had put the phone at risk. Mrs D complained and AIG accepted her claim in September acknowledging its mistake and paid £35 compensation for her calls.

Mrs D then claimed for the other stolen phone and AIG requested identification and proof of purchase. Mrs D told AIG she couldn't provide this as she bought it from an online sales site and the other phone had been previously replaced by AIG and so proof of purchase wasn't relevant.

AIG asked Mrs D to make a statement online, but Mrs D said she couldn't do that due to her condition. After some delay AIG agreed in October 2020 to complete the statement over the phone and this took place in November, but for only one of the phones. Mrs D complained again, and AIG paid her another £35 compensation, but months later the new phone hadn't arrived. AIG said it couldn't do anything as she hadn't provided the information it required.

Mrs D complained again to AIG about its mishandling of her claim. In May 2021 AIG paid her £110 compensation for delays and the loss of value of her phones. Mrs D was unhappy and wanted the full difference in the value of the phones from July 2020 to now as newer models meant she got less in selling the replacements than if the claim had been settled as advertised by AIG. She also wanted compensation for the poor treatment she has received, and she brought her complaint to us.

Our investigator recommended the complaint be upheld and that AIG pay Mrs D further compensation of £250 for the trouble and upset caused by the delays. She said AIG was entitled to ask questions about the claim but hadn't done so before initially declining it. She said AIG should have been mindful of Mrs D's accessibility needs in completing statements. The investigator didn't recommend that AIG compensate Mrs D for loss of value of the phones as the terms of her policy only provide for a replacement phone, which it had done.

AIG accepted the investigator's recommendations, but Mrs D did not. She said there was no acknowledgement of the number of calls or complaints she'd had to make on her claim. She said there was insufficient information for us to judge the compensation she was due. Mrs D requested an ombudsman review her complaint and call her.

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 have spoken to Mrs D about her claim and her complaint. I accept that she made it clear to AIG that she had special needs with regards to communications.

From AIG's records of its calls with Mrs D and the several complaints she has made to AIG I can see that her claim wasn't resolved in a timely manner and AIG didn't deal with documentation promptly. The claim was started poorly by AIG rejecting it without seeking adequate information from Mrs D.

This meant it took AIG far longer than was necessary and far longer than its advertised response time to resolve the claim. AIG then followed its terms and conditions requiring customers provide proof of purchase. But I can see that AIG didn't make the adjustments in its communications and policy compliance of Mrs D that are required by her medical condition.

I think AIG should have found other ways to collect the information it required from Mrs D. It was only after further calls and time had passed that AIG suggested that it could obtain the statement from her over the phone, although she had made it aware of her communication needs. Although I understand that it can take time to investigate some claims, particularly if further information is needed, AIG clearly didn't process the claim within a reasonable timeframe.

I have thought carefully about the impact this delay of almost a year had upon Mrs D and I've considered what she said about the many calls she had and the four or five complaints she raised. The number of complaints were necessary to Mrs D as AIG closed her complaints when it thought her issues were resolved. This was premature.

I can see that these issues were considered by the investigator and I agree that a fair and reasonable reflection of the distress and inconvenience Mrs D was caused is the £250 compensation she recommended. This amounts to a total of £430 compensation when including the compensation of £180 that AIG has already paid.

I've looked at the terms and conditions of Mrs D's policy to see whether AIG should pay her the difference in what she could have sold the phones for. Having done so, I can see that AIG is only required to replace phones that are lost or stolen but does not have to pay cash for them or for consequential losses.

AIG has replaced the phones like-for-like, and we cannot tell it to compensate Mrs D for any further loss as AIG carried out the actions it was required to do, albeit belatedly. There is no cover in the policy for consequential losses and any difference in value between the phones AIG provided to Mrs D by way of her claim and what she was able to sell them for is an uninsured loss.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld. I require American International Group UK Limited to pay Mrs D further compensation of £250 for the distress and inconvenience she has been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 18 August 2022.

Andrew Fraser
Ombudsman