

The complaint

Mrs L complains about how AXA Versicherung Aktiengesellschaft (AXA) settled a claim under her Goods in Transit insurance after her television was broken during a property move.

Mrs L is represented in her complaint but I'll only refer to her in my decision.

What happened

Mrs L moved house on 15 June 2021. She used a removal company, who recommended she bought Goods in Transit insurance so that her belongings were insured while they were being moved. Her insurance was underwritten by AXA.

During the move, Mrs L's television was broken. She put in a claim for the damage. She said her television was around seven years old. And had cost around £1,650 to buy. She said the replacement cost for the television was £769. This was the cost of a mid-range brand new replacement.

AXA agreed to pay the claim. But told Mrs L that under the cover she'd arranged, the settlement would take into account the age, quality, degree of use and consequent market value. They said that the policy wasn't "new for old". They said that as the television was seven years old, they recommended settlement of £250. When this was adjusted for the £50 policy excess, they approved settlement of the claim for £200.

Mrs L was very disappointed with the settlement offer. She said the television was in full working order and a top of the range product when she'd bought it. She asked AXA to reconsider the settlement they'd offered as it wasn't her fault that the television had been broken.

AXA sent their final response to the complaint on 12 July 2021. They said that Mrs L was covered for the actual value of her items at the date of loss. And that the settlement offered should allow her to replace her television on a like for like basis. They said that the true indemnity value of the television could be considered as what Mrs L could reasonably have hoped to obtain for the television had it been put up for sale on the day it was broken. They said they'd offered a settlement value of £250. And that they'd found the exact make and model of the television being sold online for £270. They said that the best they could do was to increase the settlement they'd proposed to £270 due to the example television they'd found on sale online, as they felt this was the best indication of the fair and reasonable indemnity value of the damaged television.

Mrs L was disappointed with the revised offer. She didn't think it was professional to use online pricing to assess her claim. She said that the online price was for collection only. She also said that she'd expected a depreciation-led approach to a like for like model.

AXA replied. They said they couldn't justify a higher figure than the £270 they'd offered. They said the insurance industry applies depreciation at the rate of 10% each year from the cost to replace as new. In Mrs L's case, the cost of replacing with a new model was £769. As

the damaged television was seven years old, applying depreciation as Mrs L had suggested resulted in a settlement figure of £230.70.

Mrs L replied to AXA. She said that the actual cost of replacing her old television with a new model on a like for like basis was £1,650, not £769. But that she'd said £769 was the cost of a replacement model in her claim as she would've been comfortable to replace the broken television with a mid-range one, rather than the top of the range one she'd had before. She felt that asking for a mid-range replacement from the start showed she was trying to reach a fair compromise. She also said that if the 10% depreciation each year was applied to £1,650, the settlement would be higher than AXA had offered.

Unhappy, Mrs L brought her complaint to this service. She didn't think it was fair to use the online seller to establish the current value of the television. And because the only like for like television available online was "collection only", she felt the settlement should take into account the travel costs she'd incur if she bought it. She said this because she'd found out that it wasn't possible to get a quote for couriering the television to her new address.

Our investigator felt that her complaint should be upheld. He felt the online price AXA had found might be unreliable as a guide as to the current value of the television. He said that Mrs L had said AXA had told her they'd only use the 10% annual depreciation method if the current market value of the television couldn't be found. He felt that as the online price couldn't be considered as reliable, he understood why she felt it would be fairer to use the 10% depreciation method.

Our investigator also noted that AXA had in fact found the specific television for sale online. And that therefore they did have some idea of the television's current value. He therefore agreed that using the online price would be a good starting point. However, given where Mrs L lived, he felt AXA should reconsider their settlement offer. He recommended that AXA took the online price of £270 as a starting point and then to include the travel expenses that Mrs L would've incurred if she'd gone to collect the television listed online.

Mrs L asked this service to ensure that the investigator's proposed settlement included the full cost of travel, including the potential need for a hotel.

AXA fundamentally disagreed with our investigator. They said that the policy had no

guarantee that an exact replacement would be available, or that if one was available that it would be within easy reach of the claimant. So they didn't agree they should make an additional payment to meet the costs of travelling to purchase a replacement item. They said they were only liable for the actual cash value of the damaged television. And they considered that the value they'd found online was fair. They said they always did what they could to justify their offers. And that in this case they found the exact make and model of the broken television for sale. They said they weren't sure what better way there was of arriving at a fair valuation.

AXA said they couldn't apply depreciation from the cost of the television as Mrs L had suggested, but if they did, the settlement would be £230.70. I note that they incorrectly based this calculation on the cost of the mid-price replacement television Mrs L had claimed for, rather than the top end television she actually needed to replace. They said they researched the selling price of items online wherever possible so that they had some actual evidence of the correct settlement figure, which they felt led to a fair outcome. They said that simply applying 10% each year: *"is a rather blunt tool which we only use when we have no other option"*. AXA shared some further pricing research they'd carried out for what they said were similar televisions available online.

Our investigator replied to AXA. He conducted his own research to try to value the broken television, but couldn't find anything. He said he didn't think it was fair to base the value of the television being claimed for on a single online listing of the exact model. He said that the new pricing research AXA had shared didn't reflect the quality of the broken television when new. He said Mrs L had told this service it had cost £1,650 when new. And that he'd been able to confirm the original retail price of her television himself. Therefore he felt that the additional pricing information AXA had provided wasn't directly relevant.

AXA responded. They said they'd only provided the online price of the replacement television as an example to demonstrate how they'd arrived at their valuation for the damaged television. They had never expected that this service would take that valuation as fair but then suggest that they also offered travel expenses. They said that the underwriters' liability is the fair and reasonable value of the television, in cash terms. They also said that our investigator hadn't actually told them what they would need to pay Mrs L to settle the claim.

As agreement couldn't be reached, Mrs L's complaint came to me for review.

I issued my provisional decision on 27 April 2022. It said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached a different conclusion from our investigator. I don't consider his recommended redress is workable or fair. In particular, I don't agree that it would be fair or reasonable to ask AXA to include travel costs in their settlement figure. Instead, I consider that AXA should offer an increased settlement based on the average prices of the four similar used televisions they've now found online. I'll explain why.

The policy that covers Mrs L's belongings while in transit is an indemnity policy. It doesn't provide cover on a new for old basis. So, Mrs L's belongings are insured for the actual value of any items damaged or lost at the date the damage or loss occurs. This policy of insurance allows AXA to settle this claim in a number of ways. The terms and conditions allow AXA to either replace or repair an item or make a settlement payment instead taking into account "the age, quality, degree of use and consequent market value" of the item in question. It's up to AXA which method of settlement they choose. But they will have met their contractual obligations under the policy if they either replace, repair or make a market value offer for a damaged or lost item.

Mrs L is unhappy with the settlement figure she's been offered by AXA to cover the broken television. I've therefore thought carefully about whether AXA fairly calculated the settlement value of Mrs L's claim.

Although I've seen evidence that AXA undertook online research to assess the value of the broken television, I don't consider that their research provided enough evidence to base their settlement on. I say this because I've no evidence of what they based their original settlement offer of £250 on. And when AXA revised their offer after Mrs L complained they only found one television of the same make and model on an online selling site. So I'm not satisfied that the research AXA undertook at the time they increased their offer to £270 was sufficient to enable them to determine a market value for the broken television.

Mrs L felt that it would be fairer to use the 10% depreciation method to assess the settlement value. She didn't think that it was professional to use the online selling site to get that value. To some degree I agree with Mrs L here. I don't consider that it is fair to use the value of a single television as the settlement value. I'm not satisfied that AXA could be confident that

they valued the broken television fairly when they took the single online sale price they'd found to be the value. But I don't agree with Mrs L that it was unfair to use prices from online selling sites. I acknowledge AXA's point that use of online selling sites can be the fairest way to assess values. But I'd expect AXA to find more than one online price and to take the average of those prices in order to demonstrate a fair valuation.

AXA have now found three further online prices of similar televisions to Mrs L's broken one. From what I can see, two of these televisions were slightly lower specifications than Mrs L's broken one, and one was slightly higher. I consider that it would be fair to base a settlement value on the average of four online prices. When the online prices of these televisions are averaged alongside the original television AXA referenced, the average price is £321. As these televisions are, on average, slightly lower specification than Mrs L's broken television, I consider that a fair settlement would be £350. I agree with AXA that they shouldn't be required to make an additional payment to meet the costs of travelling to purchase a replacement item. I'm satisfied that they are only liable for the actual cash value of the damaged television under the terms of the policy.

I acknowledge that Mrs L considers that the depreciation method would be fairer. I understand that if that were used, the settlement value would be £495. This is based on the following:

Cost of original television (£1,650) X (100% - 7 (years of depreciation) X 10%)

But I can't agree that this is the fairest method here. I say this because I agree with AXA that using the depreciation method is a somewhat blunt tool. And that where reasonable online prices can be found to support a settlement valuation, that it a fairer method. As AXA have, in the end, found four similar televisions for sale online, I'm satisfied that they had no need to use the depreciation method here.

Overall, I intend to uphold this complaint, for the reasons I've outlined above.

Putting things right

I intend to ask AXA to increase their settlement offer to £350.

Response to my provisional decision

AXA said they had nothing further to add and accepted my decision.

Mrs L said she felt it was slightly unfair that AXA had been allowed to undertake further research to find more second-hand values for the damaged model six months after the claim. She questioned whether the market values had been affected by the televisions being a calendar year older than at the time of the claim. She also questioned whether the rounding up I'd suggested (£321 to £350) was sufficient to cover the variance in specification. But said that she was happy to except my provisional decision if I'd taken these points into consideration.

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 can confirm to Mrs L that I consider that the additional research AXA undertook was consistent with additional research I also carried out. Therefore while my proposed redress wasn't calculated scientifically, I was comfortable that it should allow Mrs L to appropriately

replace her broken television.

Therefore no other new information has come to light to change my opinion. So I remain of the view I set out in my provisional decision.

Putting things right

AXA must increase their settlement offer to £350.

My final decision

For the reasons given above, I uphold this complaint. I require AXA Versicherung Aktiengesellschaft to increase their settlement offer to Mrs L to £350.

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

Jo Occleshaw
Ombudsman