

The complaint

Mrs S complains about AXA Insurance UK PLC (AXA) settlement option, following a claim under her home insurance policy.

What happened

Mrs S made a claim for some lost items of jewellery. AXA sent its supplier and the claim was valued at £21,500, which was considered high. The items of jewellery comprised of two rings, a watch and a bracelet, that had all been specifically made for Mrs S.

The two rings were valued at a total of £13,450 and these rings Mrs S asked AXA to remake. But she explained that the replacement rings were inferior in quality to the ones that were lost. And because of this (as well as AXA being unable to show her jewellery samples) she decided to only replace the watch. Mrs S said she was told by AXA that it didn't replace watches. So, she made a complaint.

AXA told Mrs S that there was nothing further it could do, as she had refused to accept either a cash settlement or vouchers. But Mrs S said that she hadn't been offered a cash settlement. She accepted that she had refused the vouchers, as she felt that the jewellery she had been shown was of an inferior quality.

Mrs S said that she suggested to AXA that it pay her a reduced cash settlement, so that she could replace the jewellery elsewhere (not least as she was aware that AXA would receive discounts from its suppliers) but, AXA refused. So, Mrs S referred a complaint to our service, following AXA giving her, her referral rights.

One of our investigators considered the complaint and thought it should be upheld. He said that Mrs S' request to receive a discounted cash settlement was a reasonable one. And he thought that AXA had failed to consider Mrs S' circumstances, in that the jewellery had been bespoke and that replacement jewellery offered, hadn't been appropriate. He explained that the option of a cash settlement was available to AXA and because of this, he recommended that AXA settle the claim, at the cost to its supplier. And pay Mrs S £100 compensation, for the trouble and upset caused.

Mrs S accepted the view, AXA did not. It said the policy terms and conditions allowed it to choose how it settled claims. It said that it had already made several of the items and the items that it couldn't replace, it agreed to a cash settlement. But the items that were outstanding, it had offered to make a replacement or issue a voucher. And because of this it felt that it had met its obligations under the policy. So, it asked for a decision from an ombudsman.

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.

Having done so, I will uphold this complaint. I hope my findings go some way in explaining why I've reached this decision.

Our approach to complaints where an insurer has offered to replace or offered vouchers instead of cash, is that if the insurer has offered something that we consider indemnifies the consumer, then we'll be satisfied that the insurer has fairly settled the claim.

Mrs S explained that the jewellery that she wanted replaced and was offered, was of an inferior quality than the jewellery that she lost. And for this reason, she asked for a cash settlement. I haven't seen any evidence from AXA that is contrary to Mrs S' opinion that the jewellery that it replaced was inferior. And as I think Mrs S has given a credible account, I am satisfied that the replacement jewellery offered was of a lower standard.

I have reviewed the policy terms and conditions and under the section entitled 'How we settle your claim' it allows for the following: *'We may repair, reinstate or replace the lost or 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, then payment will not exceed the amount we would have paid the preferred supplier.'*

From the policy terms, I think it's clear that one method of settlement that AXA are able to utilise, is settling claims by way of a cash payment, which is limited to the amount that it would've paid the preferred supplier. Mrs S had requested that a cash settlement is given to her. She has also said that she is aware that any settlement, would be discounted to reflect the discounts that AXA are able to obtain.

AXA has said that it had met its obligations, under the policy as the items of jewellery that were outstanding, it had offered to replace or provide a voucher. Our approach regarding vouchers is that we would expect the insurer to provide a voucher that that allows the consumer to get a reasonably matched replacement for the item that has been lost. Mrs S explains that the amount offered was far less than the actual value of the item.

And having considered the evidence, I agree. I don't think that AXA took into consideration the circumstances pertinent to Mrs S. In that, the jewellery that had been lost was bespoke and made specifically for her. So, as the option of a cash settlement was available to AXA (albeit limited to the cost to its supplier) and Mrs S was fully aware that any cash settlement would effectively include a discount, I think it would be fair and reasonable for AXA to settle the claim with a cash payment.

I have also considered the impact of this event on Mrs S. She describes having been devastated by not being put back into the same position had the jewellery not been lost. And as one of the purposes of insurance policies are to put the consumer back into the position they were pre-loss, I am satisfied that this event would've had some impact on Mrs S. As a result, I think AXA ought to pay Mrs S compensation of £100, for the trouble and upset caused.

Putting things right

In the circumstances, to put matters right, I direct AXA Insurance UK PLC as outlined below.

My final decision

For the reasons I have explained, my final decision is that I uphold this complaint.

AXA Insurance UK PLC to pay a cash settlement at the cost to its supplier, for the outstanding items of jewellery.

AXA Insurance UK PLC to pay £100 compensation for the trouble and upset caused.

AXA Insurance UK PLC must pay the above amounts within 28 days of the date on which we tell it Mrs S accepts my final decision. If it pays later than this it must also pay interest on the amounts from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 1 August 2022.

Ayisha Savage
Ombudsman