

The complaint

Mr N is unhappy with the replacement phone he's been sent by American International Group UK Limited (AIG) after he made a claim under his mobile phone insurance policy.

What happened

Mr N's mobile phone was replaced by AIG following a claim under his insurance policy, which is attached to his bank account. He's unhappy with the colour of the replacement phone as it is different to his original handset. He's also unhappy that it's scratched, and the battery capacity is 89%.

Mr N raised a complaint with AIG. They initially offered £10 compensation, which they later increased to £160. Mr N believes AIG should refund his excess along with all the premiums paid. So, he approached this service.

After approaching this service, AIG reconsidered things and increased the compensation offer to a total of £250, along with confirming they'd replace the phone.

Our investigator thought this was fair. She also said the terms said a replacement phone wasn't guaranteed to be the same colour, the battery capacity was reasonable, and that replacement phones wouldn't be brand new - and that's in line with the policy terms.

Mr N didn't agree and asked for a final 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.

Damaged phone

Mr N has provided images of the phone he's received which show cosmetic damage to it. He says the replacement phone he was given in a previous claim was also damaged. However, Mr N's not complained to AIG about the original phone he received in the first claim, so I can't consider that here. Instead I can only consider the complaint about the recent claim and phone replacement, which has already been addressed by AIG.

AIG first offered Mr N £10 compensation after he reported the phone he received was damaged. AIG later increased this to £160. And since the complaint came to this service, AIG increased the amount to £250, and offered to replace the phone.

Receiving a cosmetically damaged phone would've been inconvenient. But I think the offers made by AIG, to provide £250 compensation and replace the phone, are fair and reasonable in the circumstances. So, I'm not going to ask them to pay more than this.

Colour of the replacement phone

Mr N is unhappy with the colour of the replacement phone he's been sent as it is different to the original handset he had. I've looked at the terms of Mr N's policy, these say:

"...will do its best to replace Your Device with the same colour as Your claimed Device, however, there is no guarantee this will happen."

Whilst I recognise Mr N is unhappy the replacement device is a different colour to his original handset, AIG has replaced the phone with the same make and model (aside from the colour) and that's in line with the policy terms, so I don't think AIG acted unreasonably in the circumstances.

Battery capacity

Mr N is unhappy the replacement phone has a battery capacity of 89%. He says the phone must have been used previously, rather than being brand new.

The policy terms say:

"Replacement Devices:

- If (AIG's agent) replaces the Device, the replacement Device will be the same make, model and condition of the Device immediately prior to the incident giving rise to the claim.*
- Where (AIG's agent) replaces the Device, the replacement will likely be a remanufactured – not brand new – Device. Remanufactured Devices may contain non-original, third party, or unbranded parts.*

IMPORTANT: Please note that (AIG's agent) obligations under this Policy are to provide You with a replacement Device that is of the same kind, quality, and condition as Your existing Device immediately prior to the incident giving rise to the claim. (AIG's agent) is under no obligation to provide You with a new replacement Device, and there is no guarantee that You will receive a new replacement Device."

Therefore, the policy terms explain that a refurbished phone may be provided, so I don't think AIG acted unreasonably by not providing a brand-new phone.

In addition, AIG has explained that any replacement handset has a battery of 80% or above which is deemed fully functional by the manufacturer. As AIG are following the guidance from the manufacturer of the handset, I don't think they acted unreasonably by providing a refurbished phone with a battery with 89% capacity. And in any event, AIG has also offered to replace the phone.

Refund of premiums and claim excess

Mr N would like AIG to refund the claim excess and premiums paid since 2018. However, Mr N has had the benefit of cover under his policy. He's been able to claim successfully. And the policy terms say an excess will be payable in the event of a claim. So, it wouldn't be fair or reasonable for me to direct AIG to refund the premiums and claim excess.

I accept that it would have been inconvenient to receive a replacement phone which has cosmetic damage, but AIG has offered £250 compensation, along with replacing the phone. I think that's a fair and reasonable resolution in all the circumstances of the case so I'm not going to direct them to do any more.

My final decision

American International Group UK Limited has already made an offer to pay £250 compensation, and replace the handset, and I think that offer is fair in all the circumstances.

So, my decision is that American International Group UK Limited should pay £250 compensation (less any amounts already paid) and replace Mr N's phone.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 17 June 2022.

Callum Milne
Ombudsman