

## **The complaint**

Mr D complains, on behalf of his business, that American International Group UK Limited (“AIG”) unfairly declined a claim under his business protection insurance policy.

## **What happened**

Mr D runs a business repairing bicycles and he holds an insurance policy with AIG to cover him for certain risks that may arise as a result of his work.

In 2018, Mr D had been working on a customer’s bike and had clamped the frame to a stand in order to fit components to it. Unfortunately, the stand caused damage to the bike’s frame, which Mr D was liable for. So he made a claim under the public liability section of his insurance policy.

AIG declined the claim. It said Mr D wasn’t covered for items damaged while in his custody or while repairs were being undertaken.

In 2021, having reviewed his policy again, Mr D didn’t think his claim had been declined correctly. So he raised a complaint.

At this time, AIG said Mr D was covered for damage occurring to property he was working on. But that as he was working on the components at the time of the damage, rather than the frame itself, it didn’t think Mr D had made a valid claim under the policy terms and conditions.

Mr D didn’t agree. He said he’d been working on the bike as a whole, including the frame. He raised a complaint, which he brought to our service.

Our investigator upheld the complaint. She was satisfied Mr D was assembling components to the frame and working on the bike as a whole when the damage occurred. So she didn’t think AIG had applied the policy terms correctly or fairly in these circumstances.

She said AIG should’ve covered this claim when it was raised in 2018, and she asked it to pay the amount Mr D had to pay his customer – which was £1,000 – plus 8% interest and £100 compensation. She said it would be fair for AIG to deduct the policy excess of £500.

AIG didn’t accept our investigator’s recommendations, so the complaint has been passed to me for a final decision.

## **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.

The terms and conditions of Mr D’s business protection insurance policy say:

*“Public & Product Liability*

*What we cover you for... all amounts (including legal costs) you become legally liable to pay as damages or compensation arising from an occurrence during the period of insurance in the territory in connection with the business which results in...damage."*

The policy defines "damage" as "physical loss or destruction of or physical damage to tangible property".

The policy goes on to provide exclusions applicable to the Public & Products Liability section. It says:

*"In addition to the General Exclusions we will not cover under this Section...damage to property in your custody or control other than... property on which you have been working (but including damage arising on a different part of the same property as a result of the work undertaken)."*

This means, contradictory to what AIG said in its initial claim rejection, Mr D is covered for property damaged in his custody if he was working on it.

What AIG now seek to rely on is the exclusion extension of "damage arising on a different part of the same property as a result of the work undertaken". It says Mr D was working on the components and the damage occurred to the frame as a result of the work undertaken. But I don't agree. I'll explain why.

If, for example, Mr D had put the bike frame on a stand solely to access different components, and those components were removed and worked on separately and away from the stand, I could understand why AIG might have applied the above exclusion. This is because the frame wasn't being actively worked on and it was only clamped to the stand to allow for easy access to the parts Mr D was working on.

However, from my understanding of the claim, Mr D was fitting components to the frame in order to assemble the bike. This couldn't be done without the frame itself, which Mr D would've been actively working on in order to complete the task he'd been hired to do. As such, I'm satisfied he was working on the frame when the damage occurred.

For these reasons, I don't think the policy exclusion above applies here. So it follows that I don't consider AIG's decision to decline the claim to be correct or fair.

### **Putting things right**

Where I find that a business has done something wrong, I'd expect it to put the customer back in the situation they would've been in had everything been done correctly.

In this case, I'm satisfied that if AIG had dealt with Mr D's claim correctly back in 2018, it would've accepted it. This would have resulted in Mr D's customer being paid the £1,000 they'd claimed, minus the policy excess of £500.

As such, I'm directing AIG to do that now. And to make up for the time Mr D has been without this money, AIG should pay 8% simple interest from the date the claim was made until the date it's settled.

To compensate Mr D for the inconvenience he's been subjected to as a result of having to deal with this customer's claim himself without the support of his policy, I'm directing AIG to pay £100.

## **My final decision**

For the reasons I've explained, I'm upholding this complaint and directing American International Group UK Limited to:

- Pay Mr D the claim value of £1,000 minus the policy excess, plus 8% simple interest\* per annum from the date the claim was originally made in 2018 until the date it's settled.
- pay Mr D £100 compensation.

\*If AIG considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 29 August 2022.

Sheryl Sibley  
**Ombudsman**