

The complaint

Mr and Mrs P complained that HDI Global Specialty SE (“HDI”) didn’t fairly settle their claim for stolen electric bikes under their home insurance policy.

What happened

Mr and Mrs P made a claim on their policy when two electric bikes were stolen from their property. HDI validated the claim and agreed it was liable to settle the claim under the terms of the policy.

The two bikes were specified on the policy as high value items - £2,000 and £1,800. HDI settled the claim by providing a cash settlement of £3,800 for these items, which it said was its liability under the policy.

Mr and Mrs P thought this was unfair, as a recent surge in bike prices, meant they wouldn’t be able to replace their bikes for similar ones for the settlement provided. Mr and Mrs P said the policy stated that their contents would be insured on a “*present day replacement value*”. So, Mr and Mrs P want HDI to either replace their bikes or provide a cash settlement that will allow themselves to replace the bikes to a similar specification. They also want to be compensated for their distress and inconvenience.

Our investigator decided not to uphold the complaint. She thought HDI had settled the claim in line with the terms of the policy, so thought the settlement was fair. Mr and Mrs P disagreed, so the complaint has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 27 June 2022. I said:

“I have reviewed what the reasons were that Mr and Mrs P were unsatisfied with the settlement they received. They said “I know the bikes listings were below their present replacement value. However, because of the present inflation we find ourselves in, and the amount of time since the claim was made the prices have risen steeply. The first sentence of the cover section [within the policy document] I sent you (ABOUT YOUR COVER) says contents will be replaced as new, and also the second paragraph says cover also includes items up to a total of £18,800. I thought it reasonable that bikes of similar specification would be covered”.

I’ve reviewed the statement of insurance that Mr and Mrs P has highlighted to understand what it says about Mr and Mrs P’s cover. It sets out the Standard Contents Cover (section 1). It states:

“Insured value (total value of your entire contents) up to £75,000

This provides cover for the replacement of contents as new (see your policy leaflet for exceptions) from the specific perils within the home based upon the present-day replacement value of all your contents.

This includes valuables and personal belongings up to a total of £18,800 which is inclusive of any specified items below.

A single article limit of £1,500 applies for valuables and personal belongings other than the items listed below.

Please note:

The insured value of your contents needs to cover the entire replacement value of all your contents. If the insured value shown above represents less than 100% of the full replacement cost of the contents of your home, we will reduce the amount claimed in proportion to this underinsurance. For example, if the insured value of your contents represents 75% of the amount needed to replace all the content, we will only pay 75% of your claim.

EBIKE £2,000.00

EBIKE £1,800.00”.

I understand why HDI and Mr and Mrs P have a different view of what is covered under this claim. I find the stated terms in the statement of insurance ambiguous. HDI has set out that it thinks its liable for the itemised values £2,000 and £1,800, whereas, Mr and Mrs P thinks they are insured for the present-day replacement value.

As I think the terms are ambiguous, I'm going to uphold this complaint. If HDI intended its policy to work as it has settled this case, then I think it has a responsibility to make its policy documents clearer and easier to understand for its customers. I think Mr and Mrs P had reasonable expectations their settlement would be based on present day values.

I can see Mr and Mrs P provided valuations for their bikes based upon the price they paid for them. They have shared the receipts for these purchases. I think its reasonable for them to think this was a fair indication of what the value of these items were worth at the time they took out their insurance policy. However, the policy states the policy “provides cover for the replacement of contents as new (see your policy leaflet for exceptions) from the specific perils within the home based upon the present-day replacement value of all your contents”.

I can't see any exceptions that apply to this claim. The purpose of an insurance policy is to indemnify for the policyholder for the loss they've experienced. I think the policy sets the expectation that the bikes will be replaced with new bikes (of a similar brand / specification) and should HDI decide to pay a cash settlement instead of replacement, it should be based on “present-day” values in order to indemnify them for the loss they have suffered.

Mr and Mrs P provided a detailed and well-articulated explanation of their complaint that I find persuasive. I think if the policy was well defined, so that Mr and Mrs P knew they would only be covered for the values stated in the policy, I think they would've done more to check that the valuations for their bikes remained up to date. However, as the policy set out they were covered for present day values, they wouldn't have felt this was necessary.

Therefore, I intend to uphold this complaint. I intend for HDI to replace the stolen bikes with new bikes of matching brand and specification or alternatively provide a cash settlement that allows Mr and Mrs P to purchase their own equivalent replacements. I think this unfair settlement will have caused some distress and inconvenience for Mr and Mrs P, as they have been without replacement bikes for a significant period which will have impacted on their ability to exercise. They have also spent more of their time than would be expected following a theft claim. Therefore, I intend for HDI to pay £200 in compensation for distress and inconvenience”.

Responses to my provisional decision

HDI accepted my provisional decision and didn't have anything more to add.

Mr and Mrs P didn't specifically state whether they accepted my provisional decision. However, they clarified they would prefer to take a cash settlement for the stolen bikes as there is a long lead time for replacing the bike with the same one in the market. Mr and Mrs P have said the cash settlement should be £6,400 for the replacement cost based on information they have been provided (in addition to the £200 compensation).

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 appreciate Mr and Mrs P are keen to get a replacement for their bikes as soon as they can, but the policy sets out HDI's responsibility is to *"replace the items [stolen] as new"* or to *"pay the cost of replacing the item as new"*.

The policy further clarifies the *"pay the cost"* option, by stating
"- where we can offer repair or replacement through a preferred supplier, but we agree to pay a cash settlement, then payment will not exceed the discounted replacement price we would normally pay
- where we cannot repair or replace the item as new through our preferred suppliers we will pay the full replacement cost of the item with no discount applied".

Therefore, it's important that HDI has these options when settling the claim. HDI need to be given the opportunity to supply the replacement bikes through its supplier network. If it can do this, it should also offer Mr and Mrs P a cash settlement at the discounted replacement price it would pay (to its preferred supplier). However, if HDI can't provide the replacement bikes, then it should offer a fair cash settlement based upon full market rates. This is HDI's obligations under the policy.

However, it should be noted that if HDI can't provide the bikes in a reasonable timeframe and Mr and Mrs P can show they can purchase equivalent bikes in a significantly reduced timeframe, then I would expect HDI to pay the full market price.

My final decision

My final decision is I uphold this complaint. I intend for HDI Global Specialty SE to:

- Replace the stolen bikes with new bikes of matching brand and specification or alternatively provide a cash settlement that allows Mr and Mrs P to purchase their own equivalent replacement.
- Pay £200* compensation – for distress and inconvenience.

* HDI Global Specialty SE must pay the compensation within 28 days of the date on which we tell it that Mr and Mrs P accepts my final decision. If it pays later than this it must also pay interest on the compensation 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 Mr P and Mrs P to accept or reject my decision before 23 August 2022.

Pete Averill
Ombudsman