

The complaint

Mr S and Ms D complain that the cash settlement that AA Underwriting Insurance Company Limited (AA) offered for their contents insurance claim is unfair.

What happened

Mr S and Ms D had a water leak in 2021. This caused damage to both their home and to some of their belongings. They made claims to AA under both their buildings insurance and contents insurance policy on 2 August 2021.

This complaint only covers Mr S's and Ms D's contents insurance claim.

AA wrote to Mr S and Ms D on 2 August 2021 about the claim. Its letter said:

"Do not dispose of any damaged items without our approval. By doing so, this could result in us not paying the full replacement costs of the item(s)".

On 9 August 2021 AA said it received its surveyor's report. This noted that two rooms had been affected by the leak - the dining room and hallway. The report said that the leak had damaged the ceilings and walls. And that there was a list of contents on file.

On 19 August 2021, AA wrote to Mr S and Ms D. It said that their claim hadn't mentioned the computer or ipad. But that it would add them. Mr S replied the same day. He said he was confused by the request, as when the damage had been assessed, the surveyor had taken photos of all the damage that had occurred to both the buildings and contents. He also said that they'd listed all the contents that needed replacing.

On 19 August 2021, AA appointed a household insurance claims specialist to inspect and report on the claim. They provided their report to AA, dated 1 September 2021, on 2 September 2021. Their report included recommended replacement and cleaning costs for the damaged dining table and carpets of £654.20.

The 1 September 2021 report didn't include two other damaged items – an ipad and a computer. So AA instructed the claims specialist again. It chased them on 14, 20 and 30 September 2021. On each occasion it was told that they were waiting for more information from Mr S. AA said it called Mr S, who confirmed he'd already sent all of the requested information.

On 3 September 2021 AA wrote to Mr S and Ms D to update them on the claim. It said that it'd got the report back from its claims specialist on the carpet and table. And that it'd spoken to them given the confusion with the ipad and computer. It said the claims specialist had said that they weren't aware they'd needed to include these on their report. AA said it'd requested these were added as quickly as possible so it could let Mr S and Ms D know the full claim settlement.

On 7 October 2021, the claims specialist told AA that Mr S and Ms D had disposed of the ipad and the computer. They said they weren't able to accurately validate the replacement

cost of the specific items.

AA agreed to allow the claims specialist to value the ipad and the computer at the entry level. The claims specialist provided a further report dated 28 October 2021. This used entry level models to value the damaged items at a total of £1,017.37 (first page of the report). It also amended the cost of cleaning the carpet to that of replacing both it, and the underlay. The cost for the table and flooring was £1,167.49 (second page of the report). The total recommended replacement cost for all of the items was £2,184.86.

On 9 November 2021 AA called Mr S and Ms D with its settlement offer. Its claim notes record that it advised a total contents settlement of £1,167.49 for the carpet and underlay, dining table repair AND the ipad and the computer. Allowing for the £500 excess payable for an escape of water claim under the policy, it made a settlement offer of £667.49.

Mr S was unhappy with the £667.49 settlement offer and complained. He felt that the settlement should allow for the correct specification of the ipad and computer, rather than using entry level models to work out the replacement cost.

AA spoke with its claims specialist who told it that they had fully validated the carpet and underlay, but not the ipad. They said that Mr S and Ms D had disposed of the items and hadn't provided receipts. They said they had photos of the computer on file.

AA discussed the ipad validation with Mr S, who said that there was a picture of it within the photos he'd sent. AA said it'd missed this. But noted that there was a picture showing the ipad on the desk next to the computer.

As Mr S and Ms D didn't have receipts for the ipad or computer, AA told them that as the items had been thrown away, it couldn't validate them beyond entry level models.

Mr S told AA that its surveyor had taken photos and told him to throw the items away. He felt that the claims specialist should have the specifications. He said two different people had looked at the items before he'd thrown them away.

AA issued its final response on Mr S's and Ms D's complaint that the settlement amount was too low on 9 December 2021. It declined to increase its offer. AA felt it'd valued the contents accurately based on the information available. But said that if Mr S and Ms D could provide evidence of the specification of the ipad and the computer through receipts, it might be able to reconsider the valuation.

Mr S didn't consider that AA had taken the claim seriously. He wanted them to share the two surveyors reports with him. He didn't feel that he should have to provide proof of specifications. He felt that the two surveyors who'd visited had both listed each contents item in his claim, and taken photos of them. So he brought the complaint to this service.

Mr S told this service that he disputed the amount AA had offered for the ipad and computer. Our investigator didn't consider that the complaint should be upheld. She felt that AA had acted fairly, as she considered that there was no way to verify the specifications of the ipad and the computer which had been thrown away. She said that as the items couldn't be fully validated, it was reasonable for AA to ask for receipts. But that these hadn't been available. Overall, she felt that AA had offered the correct settlement figure for the damaged items.

Mr S didn't agree with our investigator. So the complaint came to me for a final review.

I issued my provisional decision on 24 August 2022. It said:

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

Having done so, I intend to uphold it. I agree with our investigator that AA acted reasonably when it offered to settle on the basis of entry level models for the ipad and computer, given no receipts could be provided and the items had been thrown away. But from what I've seen, AA failed to offer the correct settlement value, as assessed by its claims specialist. I'll explain my decision.

I first considered if AA acted fairly when it offered to settle the claim on the basis that the ipad and computer were entry level models.

Was it fair to assume entry level models for the ipad and computer?

Mr S said that the surveyor AA sent first photographed all the buildings damage and contents damage. He said the surveyor had told his partner that he had all the information he needed and that they could throw the damaged items away, which he did. He felt that the surveyor had reported the models of each item to AA.

AA said that the only images it had were the ones Mr S had sent to them. These didn't show the model numbers. It said that surveyors were appointed to validate the claim, not take an inventory of damaged items. It also said that it'd spoken to its claims specialist who had confirmed that they hadn't been able to validate the items by inspection. It said their claims specialist only had the photos Mr S had provided to go on as he'd disposed of the items before they could be inspected.

As our investigator noted, there's no way to verify what anyone said during the surveyor's visit. And the report doesn't include any information about the models of the ipad and the computer. So, while I acknowledge that Mr S told this service that the surveyor had told him to throw the damaged items away, I'm unable to verify that.

Given the items had been thrown away, when AA couldn't fully validate the ipad and the computer from the photos, it asked Mr S for receipts. Mr S confirmed that he hasn't got the receipts. I think it was reasonable for AA to require some form of confirmation of the specification of the items lost. So I don't consider it unreasonable for them to have asked for the receipts.

I also say this because the policy terms recommend that receipts are retained. They state, under "Valuations":

"For items of jewellery, valuables and personal belongings valued at in excess of £500 a valuation or proof of purchase may be required in the event of a claim.

It is also advisable to keep a photograph and full description of valuable items, including serial and model numbers, for ease of identification in the event of a theft".

And AA's letter about the claim, dated 2 August 2021, told Mr S and Ms D not to throw away the damaged items.

When the receipts couldn't be provided, AA considered that there was no evidence to dispute that the items weren't basic models. I'm satisfied that it was still prepared to pay the claim without the receipts, given it'd seen the photos. And, under the circumstances, I consider that AA acted fairly when it offered to settle the ipad and computer claim on the assumption that the items were basic models.

I next considered if AA had offered the correct cash settlement amount for the contents claim.

Did AA offer the correct settlement?

AA made its settlement offer to Mr S and Ms D, based on the claims specialist 28 October 2021 report, on 9 November 2021. Their claim notes record that offered a total settlement of £667.49 for the carpet and underlay, dining table repair AND the ipad and the computer, allowing for the £500 excess.

But based on the claims specialist's recommendations contained in that report, it should've offered £1,684.86. I say this because the report showed the total replacement cost to be £2,184.86. When the £500 excess is deducted, this leads to £1,684.86.

The 28 October 2021 report states that the replacement cost for the ipad and the computer was £1,017.37. This information is included on the first page of the report.

The report also includes the cost for the table and flooring as £1,167.49 on the second page of the report. So it seems very likely that when AA offered Mr S and Ms D a total contents settlement of £1,167.49, it failed to include the recommended amount for the ipad and the computer.

Based on what I've seen, AA made an error here. It should've offered Mr S and Ms D a cash settlement totalling £1,684.86.

I consider that this mistake led to distress and inconvenience for Mr S and Ms D. They had to complain further about the settlement they'd been offered. This has also delayed the settlement considerably. Therefore I intend to require AA to pay Mr S and Ms D compensation of £250 for the distress and inconvenience this error caused.

Response to my provisional decision

AA said it would settle in line with my provisional decision.

Mr S and Ms D also agreed with my provisional 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.

No 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

I require AA Underwriting Insurance Company Limited to:

- Settle the contents claim by paying Mr S and Ms D the correct cash settlement of £1,684.86. If it's already paid any part of the claim, it should deduct those payments from the settlement.
- Pay Mr S and Ms D £250 for the distress and inconvenience their error has caused them.

My final decision

For the reasons given above, I uphold this complaint. I require AA Underwriting Insurance Company Limited to take the actions detailed in the “Putting things right” section above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss D and Mr S to accept or reject my decision before 19 October 2022.

Jo Occleshaw
Ombudsman