

The complaint

Miss M complains that Tesco Underwriting Limited haven't offered her enough in respect of her insurance claim.

What happened

Miss M has a contents insurance policy with Tesco, which provides new for old cover. Unfortunately, Miss M spilt a glass of wine on her bedroom carpet, so she made a claim on her insurance.

Tesco looked into the claim and decided to make a settlement offer. They said they could replace the carpet, could pay a cash settlement or offer a voucher for use locally. Miss M didn't think the cash settlement was enough, so she complained and then brought her case to our service.

An investigator here looked into the matter. They felt the settlement offer was fair and so didn't uphold Miss M's complaint. Miss M disagreed, so the case has been passed to me to decide.

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'm sorry to disappoint Miss M, but I'm not awarding the amount she would like me to. I'll explain why.

The best place to start with cases like this is what the policy says. In this instance, Miss M's policy sets out how claims will be settled as follows:

"We will pay for the cost of reinstating, repairing or replacing **your buildings** and/or **contents** which are covered by this policy (including any required re-decoration that forms part of a valid claim). **We** will decide whether to reinstate, repair, replace or pay **you** the cash value. All replaced items will be on a new for old basis. Where **we** have offered to repair or replace any item and **you** instead request for us to pay a cash value, **we** will not pay **you** more than the amount it would have cost for **us** to repair or replace the item."

As it is Miss M who has opted for a cash settlement, the above means that Tesco can limit its offer to the amount it would cost them to replace the carpet. Tesco said their contractors could replace the bedroom carpet for £532.98 (exclusive of VAT) and on a like for like basis, so they offered that as the amount for cash settlement.

Miss M says that isn't enough and has provided a quote for replacement of her lounge carpet at £1,040. I appreciate Miss M has said the lounge and bedroom are of very similar size but the claim is for the bedroom carpet and therefore I'm not persuaded the quote for the lounge carpet can be used to say Tesco should increase their offer.

Because of that, it isn't unreasonable for Tesco to have relied upon their contractor's quote

when offering settlement. That said, it has come to light during my assessment of this case that Tesco made an error in offering the figure of £532.98. It should actually have been £587.63. Tesco have agreed to pay the larger amount.

And while that was a mistake on their part, I don't think it made a material difference to Miss M, because I still consider she'd have been dissatisfied with it, and still would have complained.

Miss M should also be aware that if she uses the money to replace the carpet, and pays VAT on that, she can provide her invoice to Tesco for a reimbursement of that tax (any reimbursement will be based on the £587.63).

It is my understanding that Miss M would prefer a cash settlement but if she would like to opt for replacement or a voucher then she may ask Tesco for one of those instead.

My final decision

It is my final decision that I uphold Miss M's complaint. I require Tesco Underwriting Limited to pay her £587.63 (less any amounts which may already have been paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 15 December 2022.

Will Weston
Ombudsman