

The complaint

Mr L is unhappy that Royal & Sun Alliance Insurance Limited (RSA) offered a reduced settlement amount for the contents claim he made on his home insurance policy.

What happened

The background of this complaint is well known to both parties. So, I'll summarise the key points I've focused on within my decision.

Following a fire in Mr L's summerhouse, RSA applied a proportionate settlement as it says Mr L is underinsured. It also applied a single article limit to a computer and declined to pay for an air conditioning unit as it said this was betterment.

Mr L is unhappy with the delays and the settlement offered. He also feels it's unfair that the computer has been considered as one item and not its individual parts.

Our investigator asked for evidence from RSA about the sales process and what the insurer asked Mr L regarding the value of the contents at the point of sale or subsequent renewals. RSA didn't supply the information, so she upheld the complaint and said RSA should pay the full value of the claim. However, she felt RSA had fairly applied the single article limit to the computer and it was fair for it to decline the cost of the air conditioning unit as this she agreed was betterment. She didn't think there had been any significant avoidable delays.

Mr L agreed with the investigator's opinion.

RSA disagreed and provided some further information. But our investigator wasn't persuaded by this as it still didn't show the sales process and if Mr L was asked a clear question. RSA have been asked for this information several times, but it hasn't been forthcoming, so the complaint has been passed to me, an Ombudsman, to make 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.

RSA has accepted that the claim for fire damage is covered. But this complaint has arisen because it has reduced the value of the contents claim settlement to approximately 84%. RSA are relying on a policy term to do this. The wording and the term are not in dispute, so I don't need to outline this here.

RSA has proposed to reduce the claim settlement because it says Mr L's contents exceeds the cover limits within the policy. For RSA to apply a proportionate settlement, I have to consider what information RSA wanted to know during the sale, who was responsible for asking the question, and why Mr L provided the information he did. In other words, did Mr L give a reasonable answer at point of sale of the value to replace his contents. To do this I require evidence of the sales process and the questions asked at the sale of the policy and

any subsequent renewal. I can see we have asked RSA on numerous occasions to provide this information and it has been given reasonable time to do so. However, the information hasn't been made available. I am therefore basing my decision on the information that has been provided, and I'm not persuaded that a clear question was asked and that it was fair or reasonable for RSA to apply the reduction in settlement. I am therefore directing it to pay the full value of the contents claim in line with the remaining terms and conditions of the policy.

With regards to RSA applying the single article limit to the computer I'm persuaded this is fair. Although I can appreciate Mr L bought individual parts and built the computer it ultimately formed one single item. And as the computer was not listed as a specified item under the policy, I'm satisfied it was fair for RSA to apply the single article limit in these circumstances.

I am also satisfied that the air conditioning unit is betterment as the previous summerhouse didn't have air conditioning, so I don't expect RSA to cover this cost.

With regards to delays. A claim of this nature must be investigated thoroughly, and I can see as Mr L found evidence of other damaged items the settlement offer was amended. There were times when RSA were waiting for Mr L to confirm if he accepted the settlement offer and this led to some back-and-forth communication discussing the totals. I'm satisfied that I haven't seen significant avoidable delays and I'm satisfied that the claim progressed as I would expect. So, I won't be asking RSA to do anything further regarding delays.

Putting things right

In summary, I'm satisfied there weren't significant delays, it was fair for RSA to apply the single article limit to the computer and for it to decline the payment for the air conditioning unit. However, I don't think it was fair for it to apply the proportionate settlement and I direct Royal & Sun Alliance Insurance Limited to pay the contents claim in full in line with the remaining policy terms and conditions.

My final decision

For the reasons given above, I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 2 January 2023.

Angela Casey
Ombudsman