

The complaint

Mrs A complains about QIC Europe Ltd's decision to decline a claim for repairs to a watch under her home insurance policy.

What happened

Mrs A has a home insurance policy underwritten by QIC which covers her home and its contents, amongst other things.

She made a claim after accidentally damaging the strap of a watch. She provided QIC with an estimate from the manufacturer for replacement of the strap (at just over £2,500) and a service (at just over £400).

QIC declined the claim. They said Mrs A hadn't listed the watch as a specified valuable when she bought the policy. They said they'd asked her to list valuables worth more than £2,000. And they said the policy terms made it clear that valuables worth more than £2,000 which weren't specified by the policyholder weren't covered.

Mrs A wasn't happy with this and complained to QIC. And when they maintained their position on the claim, she brought her complaint to us.

Our investigator looked into it. She thought QIC had acted unfairly in declining Mrs A's claim. She asked QIC to settle the claim up to the limit for single item unspecified valuables set out in the policy (£2,000), less the excess.

QIC disagreed and asked for a final decision from an ombudsman. They think Mrs A ought to have known the watch's value. They think that value is well in excess of £2,000. And they think the policy terms are clear that QIC will not cover any claim for an item worth more than £2,000 if that item isn't specified by the policyholder.

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 going to uphold this complaint. And I agree with our investigator that QIC should pay Mrs A £2,000 less the excess to settle her claim. I'll explain why.

QIC say Mrs A should have known the value of the watch was very likely to be over £2,000 when she bought the policy.

Mrs A tells us the watch was bought around 40 years ago for £800. She says she didn't think it had appreciated in value by so much as to take it beyond the £2,000 limit set out in the policy.

The watch is made by a well known manufacturer of watches, jewellery and other items. It has a certain prestige, it's fair to say. And one might reasonably expect the watch to gain value at least in line with inflation rather than depreciate over time.

However, it would have had to go up in value by more than 2% every year – for 40 years or so - to be valued at more than £2,000 when Mrs A made her claim.

So, I don't think Mrs A was being irresponsibly or wildly naïve when she thought the watch was worth less than £2,000. In fact, although it's difficult to be sure of the exact match, very similar watches made by the same manufacturer and of roughly the same age are available for not too much over £2,000 at present. You might reasonably expect to be able to replace the watch for around £2,500 on the current market.

If the policy terms (which I'll turn to below) set a limit for unspecified valuables at £2,000, we might think it unfair for an insurer to decline a claim altogether when an insured item turns out to be worth more than that if, in all the circumstances, the policyholder might reasonably claim to have been unaware that the value of the item exceeded the limit.

In this case, given the original cost of the item, the time since it was bought and the apparent value now, I think it would on balance be unfair to Mrs A to decline the claim, even if a very strict interpretation of the terms of the policy would allow that.

QIC also say the value of the item is clearly in excess of £2,000. They haven't provided any evidence that they've valued the watch. They've simply said the replacement cost of the strap set out in the manufacturer's estimate (£2,500) indicates that the watch altogether is worth significantly more than £2,000.

As I say, it appears the value of the watch on the open market may well be more than £2,000 (see above), but not by a vast amount. And the manufacturer's estimate states that the strap can only be replaced with a new, modern equivalent (not the original). It also warns the prospective customer that the price of the repairs might well exceed the value of the item.

Taking all of that into account, I think it's unfair to Mrs A for QIC to assume the value of the watch is well over £2,000 solely on the basis of the manufacturer's repair estimate.

Finally, I'll come to the policy terms. The relevant paragraph (which is in Section 2 of the policy) was quoted to Mrs A in QIC's final response to her complaint to them. Under the heading "*Sums Insured*", it says:

"i. Contents – up to the contents sum insured shown in your schedule.

ii. Unspecified valuables - £10,000 or the amount shown in your schedule whichever is higher. The most we pay for any unspecified valuable is £2,000.

iii. Specified valuables – if you have specified valuables they will be shown in your schedule. If you have not specified any valuables, they will not be covered."

Valuables are defined elsewhere in the policy and include watches and items made of gold or other precious metals. Mrs A's watch is partly made of gold and is, exactly, a watch – so it's clearly a valuable in the terms of the policy.

Frankly, the policy terms are at best ambiguous and at worst make no sense at all.

In point iii (above), it says valuables (any watch or anything made from precious metals, amongst other things) aren't covered unless they're specified. And yet QIC only ask their customers to specify items worth more than £2,000. QIC refer in the policy to unspecified valuables, so they clearly accept a valuable might be worth less than £2,000.

It's not entirely clear then whether a watch (a valuable) worth £1,999 would be covered (because it's worth less than £2,000) or not (because it's a valuable and it's not specified).

More importantly perhaps, in terms of Mrs A's complaint, a perfectly reasonable – in fact, arguably the most natural - reading of the paragraph suggests that point ii and point iii flatly contradict each other.

Point ii suggests that if you don't specify a valuable, the most QIC will pay for any single claim is £2,000 – irrespective of the value of the item. Point iii says that they won't cover unspecified items at all if they're worth more than £2,000 – and/or (see above) that they won't cover any valuables at all if they're not specified, no matter how much they're worth.

I'm satisfied then that the term QIC are relying on to decline Mrs A's claim is ambiguous. And where policy terms are ambiguous, we take the view that the policyholder is entitled to expect that the meaning given to those terms is the most advantageous one to them (the customer).

The policy is written by the insurer. And is used to sell the product to the customer. And the insurer is the expert, not the customer. If the policy is written in such a way that the customer could legitimately read it in a way not intended by the insurer, then the insurer is responsible for that and will in all fairness have to suffer the consequences.

So, in summary, I don't think it's fair to Mrs A to say she ought to have been aware the watch was worth more than £2,000 and to decline her claim on that basis. I don't think QIC have valued the watch in any case. And the policy terms on which QIC rely to decline the claim are at best ambiguous. And for those reasons, I'm upholding this complaint.

Putting things right

However ambiguous the relevant terms may be, I don't think anyone could reasonably read them to mean that QIC should settle Mrs A's claim by paying for the full cost of the required repairs.

The best reasonable reading of the terms for Mrs A suggests that QIC will pay up to £2,000 for any single unspecified valuable item (including watches and items made of precious metal).

On that basis, I'm going to require QIC to pay Mrs A £2,000 to settle the claim and to contribute towards the repair costs for her watch, less the applicable excess set out in the policy.

My final decision

For the reasons set out above, I uphold Mrs A's complaint.

QIC Europe Ltd must pay Mrs A £2,000, less any applicable policy excess, to settle her claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 11 January 2023.

Neil Marshall
Ombudsman