DRN-3875151

The complaint

Mr A and Mr T complain about QIC Europe Ltd's ("QIC") decision to partially decline their claim under their home contents insurance.

What happened

Mr A and Mr T's home was broken into, and a number of their items were stolen. They reported this to QIC who declined their claim for three items, so Mr A and Mr T complained. QIC responded and explained the reason for this was that the value of the three items wasn't disclosed at the time the policy was taken out. They said the policy conditions and premium are calculated and agreed, based on the information provided to QIC when the policy is taken out. They said, had they been made aware that the value of the three items of jewellery being claimed for, were greater than the policy limit of £2,000 for any individual item, they would've applied an endorsement and/or an additional premium. QIC said, as the value of the items hadn't been disclosed, they're unable to provide cover for this.

Our investigator looked into things for Mr A and Mr T. He thought QIC hadn't reached a fair decision on the claim and recommended they settle the claim for each of the three items at the £2,000 limit together with 8% simple interest. Mr A and Mr T agreed but QIC disagreed so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters.

My starting point is Mr A and Mr T's home insurance policy. This sets out the terms and conditions and says "*We strongly advise you to review your policy each year to make sure you have suitable cover in place. The value of some of your personal belongings and valuables is likely to vary over time. We recommend that you review the valuation of any specific items regularly (at least every two years) and get professional advice if necessary. Please let us know if the value of any of these items changes, otherwise you may find yourself overinsured or underinsured.*" The policy goes further and sets out the limits which apply – this says the most QIC will pay for any single unspecified valuable is £2,000. The policy also says if a customer has specified any valuables, they will be shown in the policy schedule.

In this case, the dispute relates to QIC's decision to decline the claim for three items – all of which are valued above the £2,000 policy limit. QIC say their decision is based on Mr A and Mr T not disclosing the value of the three items. So, the first point I've considered is what question did QIC ask. I can see when Mr A and Mr T took out the policy a 'Questions and answers' document was sent to them setting out a record of the information provided by them when taking out the policy. This document asks Mr A and Mr T to check all questions and answers and to let QIC know if any details are incorrect. It says, if the information isn't correct, QIC may reject a claim or only pay part of it. One of the questions asks "*Do you have any valuable or personal items worth over £2,000 each?*" This has been answered 'No'. So, I think the question QIC asked was clear and also set out what they wanted to know.

The next point I've considered is whether Mr A and Mr T's answer was reasonable. As part of the claim process, Mr A and Mr T sent QIC a list of all items stolen. This included the three items which they valued at £1,560.78, £1,550 and £1,762. QIC then asked their jewellery specialist to validate the claims and they valued the three items at £4,685, £3,471.36 and £2,700 respectively. QIC then declined the claim for all items over £2,000 – which was the three items I've referred to here. QIC say, had they been made aware the value of these three items were greater than the policy limit, they would've applied an endorsement and/or an additional premium.

There's no dispute Mr A and Mr T didn't value the three items and they didn't disclose to QIC the value of the three items exceeded the policy limit of £2,000. Given their own valuation, it appears Mr A and Mr T thought the individual valuations for the three items didn't exceed £2,000 but the terms and conditions did make them aware that the price of items of jewellery can vary over time – and that's why they should get those items valued regularly. So, taking this into account, I don't think Mr A and Mr T's answer was reasonable.

The next point I've considered is what impact the answer had on QIC in order to decide what action they can fairly take. I can see our investigator has asked QIC what the position would've been had Mr A and Mr T disclosed the value of the three items. QIC say the valuations endorsement would've applied so the claim would be declined on that basis. QIC have provided details of their underwriting criteria and, while the relevant endorsement does refer to items of jewellery worth more than £2,000, it doesn't say QIC will decline to offer cover for such items. In fact, it refers to information QIC will require from a customer in order to consider a claim. The endorsement does refer to QIC not paying a claim or reducing the amount of the claim, but this is as a consequence of not receiving the information they ask for rather than an absolute decline to cover any items over £2,000. So, from the information I've seen, had Mr A and Mr T disclosed the value of the three items exceeding the policy limit, I'm persuaded they would still have been offered the policy, but with the valuations endorsement being applied.

I do acknowledge the endorsement refers to information QIC require in relation to items worth more than £2,000 – which in this case is a valuation from within the last three years if a claim is made. And I acknowledge Mr A and Mr T haven't provided this information. But, despite this, I don't think it's fair for QIC to decline the claim for these items. I say this because the endorsement says QIC will, as a consequence of not receiving this, not pay the claim or the amount of the claim may be reduced. I can see our investigator has asked QIC for evidence showing which of these consequences would've applied to Mr A and Mr T's circumstances had they disclosed the value and then not provided a valuation from the last three years. I accept, not paying the claim is one of the outcomes available to QIC, but it's not the only outcome.

I would need to see compelling evidence here to demonstrate that Mr A and Mr T's circumstances could only lead to non-payment of the claim rather than a reduced settlement amount. In deciding the impact on QIC and what they would've done differently had they known about the true value of the three items, I believe it's more likely than not they would've applied the valuation endorsement. But, QIC haven't provided me with any information which persuades me that Mr A and Mr T not providing a valuation could only lead to non-payment of the claim and why a reduced settlement amount should be ruled out in these circumstances.

I note QIC say, had Mr A and Mr T disclosed the items, they would still have declined the claim on the grounds that they didn't get the items valued since they purchased them – and would've needed to have got them valued at least five times since they purchased them. I do acknowledge this, but the policy wording QIC have referred to here says the impact of not getting regular valuations is that a policyholder could find they're over-insured or underinsured – it doesn't say any claim will be declined.

Taking into account all the information I've seen, I don't think QIC have reached a fair decision to decline the claim for the three items. So, I've thought carefully about what QIC should do to put things right. In their final response to the complaint and in their response to our service, QIC say, had they been made aware the value of the three items was greater than the policy limit, they would've applied an endorsement and/or an additional premium. I can see our investigator has asked if an additional premium would've been charged and, if so, what it would've been. This would be helpful to decide what proportion of the total premium Mr A and Mr T had paid and therefore the corresponding reduction QIC is able to apply when settling the claim.

QIC haven't provided any information showing whether an additional premium would've been charged – and if so, what the total premium would've been. So, in these circumstances, I don't think it's fair to ask QIC to settle the claim on a proportionate basis. My role requires me to say how a complaint should be settled quickly and with minimal formality and so I'll focus on what's fair and reasonable in the circumstances. I'll also keep in mind what I consider to be fair and reasonable to both parties.

The policy has a single item limit of £2,000 and I can see QIC arranged for a valuation which shows the three items in dispute are worth at least £2,000. So, in the circumstances of this case, I think it's fair and reasonable for QIC to settle the claim for the three items at the single item limit of £2,000 for each item.

Putting things right

I've taken the view that it's fair and reasonable for QIC to settle Mr A and Mr T's claim for the three items at the single item limit of £2,000 each. So, QIC should pay Mr A and Mr T £6,000 together with 8% simple interest from the date of the claim to the date of settlement. QIC should provide Mr A and Mr T with a certificate showing any taxation deducted.

My final decision

My final decision is that I uphold the complaint. QIC Europe Ltd must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mr T to accept or reject my decision before 26 January 2023.

Paviter Dhaddy
Ombudsman