

The complaint

Mr N has complained that Society of Lloyd's have turned down his claim for damage to his laptop. Any reference to Society of Lloyd's (SOL) in this decision includes the underwriting syndicate at Lloyd's that underwrites Mr N's policy and their agents.

What happened

Mr N dropped his laptop out of his backpack while he was out and it was damaged. He called SOL to make a claim for it. He was originally told he'd need to send some photographs of the damage, proof of purchase and get a report from the manufacturer on the damage and whether it could be repaired. And he was given the impression his claim was likely to be accepted. However, SOL then declined his claim because Mr L's laptop was worth around £3,000 and he hadn't included it as a specified item under his policy. They pointed out it is a condition of his policy that any item worth over £2,000 must be specified for it to be covered whilst out of his home.

Mr N complained to SOL, but they rejected his complaint. So, he asked us to consider it. One of our investigators did this. She said it should be upheld. This was because she thought it fair and reasonable for SOL to pay Mr N up to the £2,000 policy limit for unspecified items whilst out of the home.

Mr N agreed with our investigator's view on his case. But SOL didn't agree. They said it would not be fair and reasonable for them to have to pay Mr N's claim up to £2,000, as they'd have priced his policy differently if he'd specified his laptop, as he should have done.

I issued a provisional decision on 1 February 2023 in which I set out what I'd provisionally decided as follows:

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

Mr N is claiming under the section of his policy entitled 'Out of Home Cover for Personal Items'. This provides cover for personal items, which includes laptops, for, amongst other things, accidental damage anywhere in the UK. There is a condition in this section of cover which reads as follows:

'You must specify any one item (including articles forming a pair or set) worth over £2,000'.

So, it is clear that when Mr N bought his laptop, if he wanted it to be fully covered under this section he needed to specify it to SOL through the policy administrator. And I agree with SOL that he failed to comply with this condition. I also agree that if Mr N had done so, SOL would have charged him a higher premium to provide cover for it.

However, I do not think the fact Mr N didn't specify his laptop should mean he gets nothing in settlement of his claim. This is because he does have cover under his policy for personal items, including laptops up to £2,000 anywhere in the UK. And I think it is reasonable for someone to expect to be covered up to this amount for items they don't specify, irrespective

of their value. This doesn't mean I think Mr N didn't need to specify his laptop in view of its value. But he did take out and pay to be covered for up to £2,000 for this type of item.

But it seems to me that Mr N should have had cover of £4,993 in total under the Out of Home section; £2,993 for his laptop and £2,000 for other items he may take out with him. I say this as he bought his laptop in July and paid this amount for it and he already had £2,000 in cover under the Out of Home section at this time. And it was only early August when his laptop was damaged. If he'd done this his monthly premium would have been higher to reflect this. And I think this means the fair and reasonable outcome to this complaint is that what Mr N's receives in settlement of his claim should reflect the fact that he didn't pay enough in premium to provide the cover for it he really needed. This is what might be best described as his claim being settled on a proportionate basis.

To do this SOL will need to work out what the revised monthly premium for Mr N's policy would have been if he had added his laptop with a sum insured of £2,993 when he bought it. It should then compare the monthly premium he was actually paying and work out what percentage this is of the premium he would have been paying if he'd added his laptop. It should then pay this percentage when settling his claim. For example, if Mr N had paid only 80% of the premium he would have paid if he'd added his laptop, SOL would only need to pay 80% of what would normally be due to him in settlement of his claim. If his laptop isn't repairable SOL would need to work out the amount due under the proportionate settlement and then apply the £2,000 limit under the Out of Home section.

I gave both parties until 15 February 2023 to respond to my provisional decision with further comments or evidence.

Mr N has responded to say he agrees with the conclusion I reached.

SOL has responded to say it doesn't agree and has made the following further comments:

1. They disagree with the view that a reasonable consumer would expect to be covered up to a limit for a high value item they did not specify, even if they have cover for other lower value items up to £2,000. They've gone on to say it is not just the policy document that is very clear that the policyholder needs to specify high value items they want to be covered out of their home. It is also the purchase journey and the policy update journey that are clear on this.
2. The concept that a policy should always pay out up to the limit, even if the customer did not select an optional part of the cover is not a position they think is fair. Specifically naming high value items is functionally a different thing. There is a risk difference to them between someone who has named a laptop at £3,000 and has cover for unnamed items of £2,000. The requirement to specifically declare high value items in order for them to be covered at all is there for a reason and is not just to determine cover levels. They have asked whether I think if he'd chosen a higher cover level that Mr N should not be penalised at all for failure to comply with a policy term.

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, it remains my view that the fair and reasonable outcome to Mr N's complaint is as I set out in my provisional decision.

Dealing with SOL's further comments in turn:

1. I do think it is possible that a policyholder who knows they need to specify items worth over £2,000 if they want them to be covered for their full value could think if they don't they will be covered up to £2,000. And I think it's possible a policyholder could decide not to specify an item and expect to be covered up to the limit they have for items out of the home. And – from speaking to Mr N and what he did when his laptop was damaged – it is clear this is what he thought. I appreciate the policy terms state that items worth over £2,000 do need to be specified for them to be covered out of the home. But the policy terms do not state specifically that the policyholder won't get anything at all if they fail to do this.

Mr N didn't have his laptop when he took out his policy and didn't have any other item he needed cover for out of the home worth over £2,000; so he had no reason to specify anything at this point. Mr N has explained that he didn't call to add his laptop when he bought it, as he thought it would be covered for up to £2,000, which he was happy with. And I think this was a reasonable assumption in the circumstances.

2. I appreciate if Mr N had specified his laptop SOL would have known they were covering this item, as well as any number of other unspecified items worth up to £2,000. So, they would have had a different view on the risk they were insuring. And they would of course have charged a higher premium. And this is why I consider a proportionate settlement to Mr N's claim is fair and reasonable. With this Mr N will not receive the full cost of the repair to his laptop, he will receive a percentage of it. This penalises him to some extent and reflects the fact he didn't pay enough premium for the risk he wanted to be covered.

Putting things right

It therefore follows that for the reasons I've explained, I consider the fair and reasonable outcome to Mr N's complaint is for SOL to settle his claim on a proportionate basis. To do this SOL will need to work out what the revised monthly premium for Mr N's policy would have been if he had added his laptop with a sum insured of £2,993 when he bought it. It should then compare this to the monthly premium he was actually paying and work out what percentage this is of the premium he would have been paying if he'd added his laptop. It should then pay this percentage when settling his claim.

My final decision

For the reasons set out above and in my provisional decision, my final decision is that I uphold Mr N's complaint and order Society of Lloyd's to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 14 March 2023.

Robert Short
Ombudsman