

The complaint

Mr A has complained about how AA Underwriting Insurance Company Limited (AA) settled a claim under a home insurance policy.

What happened

Mr A contacted AA to make a claim when he lost a bracelet. AA assessed the claim and offered him £211.75, which was a cash settlement of £411.75 minus the £200 excess. It said, alternatively, it could offer a voucher which would allow Mr A to replace the bracelet like for like.

Mr A complained about the settlement offer. AA said it had offered a fair settlement in line with the terms and conditions of the policy. So, Mr A complained to this service. Our investigator didn't uphold the complaint. She said AA had acted fairly in how it had settled the claim.

As AA didn't agree, the complaint was referred to me.

I issued my provisional decision on 6 March 2023. In my provisional decision, I explained the reasons why I was planning to uphold the complaint. I said:

The policy terms and conditions explained how AA would settle a claim. These said AA would choose whether to repair, replace or pay the cost of replacing an item. The wording also said:

“- Where we can offer repair or replacement through a preferred supplier but we agree to pay a cash settlement, then payment will not exceed the discounted replacement price we would normally pay.

- Where we cannot repair or replace the item as new through our preferred suppliers we will pay the full replacement cost of the item with no discount applied.”

AA offered Mr A a voucher for £549 or a cash settlement of £411.75. I currently think it unfairly applied its terms and conditions. Given the item was lost, repair wasn't an option. AA's jewellery service also confirmed it couldn't replace the item. All it could offer was to pay the cost of replacing the item. AA seemed to rely on the wording that explained when a payment wouldn't exceed the discounted replacement price. However, the policy wording said this applied when AA could “offer repair or replacement”, which it wasn't able to do.

The wording said that where it couldn't repair or replace, it would “pay the full replacement cost of the item with no discount applied”. This didn't differentiate between whether it was paid as a voucher or as a cash settlement. So, I don't think it is fair for it to offer a lower cash settlement than it would offer as a voucher because that wouldn't be paying the full replacement cost with no discount applied. Although I'm aware, it's common where an insurer offers a voucher for it to offer a lower amount as a cash settlement because of discounts they can access, I don't think AA's terms and conditions allowed it to do this. AA was responsible for the policy wording and I don't think it can penalise Mr A if it's policy wording wasn't written as it intended.

I've also looked at the amount AA offered in settlement. AA's jewellery service valued the bracelet based on a photo of it. It said the settlement would allow Mr A to replace his 9ct gold curb bracelet on a like for like basis. I asked AA to provide evidence to show the amount Mr A was offered would allow this. AA didn't provide any evidence.

Our investigator sent Mr A some links to online examples of bracelets sold by the retailer he'd been given a voucher for. He commented on each bracelet. This was then passed to AA. I asked it to consider Mr A's comments, including why some of the bracelets weren't acceptable, which was because they were a different width or weight to his bracelet. I also explained to AA that its offer needed to put Mr A back in the position he was in before the claim, with a bracelet of comparable style and quality. I invited AA to show me why it thought its offer was reasonable. AA didn't reply.

Based on what I've currently seen, I'm not persuaded that the amount AA offered was fair. I haven't seen evidence that shows me the amount offered would allow Mr A to buy a bracelet of a comparable style and quality. I'm not an expert on valuing jewellery. So, I've taken into account Mr A's comments about the bracelets and the other evidence provided by both parties. Having done so, I currently intend to say AA must pay Mr A £1,200 to settle the claim. The amount is based on one of the bracelets both parties were sent as an example. AA must also pay interest on the settlement amount because Mr A lost the use of the money. Regardless of whether AA pays it as a voucher or a cash settlement, it must pay the full amount. However, it can deduct the excess if this is appropriate.

I've also thought about compensation. I think Mr A has been caused distress and inconvenience by the way his claim was handled. He wasn't clear why AA offered him the amount that it did and, from what I've seen, AA hasn't been able to show that amount was reasonable. I think this caused Mr A concern that his claim wasn't being fairly dealt with. So, I currently think AA should pay Mr A £100 compensation to recognise the impact on him.

I asked both parties to send me any more information or evidence they wanted me to look at by 20 March 2023.

AA replied and said Mr A has provided no substantiation other than photos. The claim had been validated by a specialist company, who had confirmed it was a 9ct gold curb bracelet. It said the comments provided by Mr A therefore weren't valid. It said Mr A could replace the bracelet for the equivalent amount of the voucher. Mr A had been offered the voucher, which Mr A declined. So, a cash alternative was provided. AA said if Mr A could provide any substantiation to validate the claim further, it would be happy to oblige.

Mr A said he had previously provided information on his complaint and the amount he had been offered by AA was only a fraction of the value of the bracelet.

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 for the reasons given in my provisional decision. As part of that I've considered the comments from both parties.

I'm aware that AA remains of the view that it provided an appropriate settlement. I invited AA to explain and provide evidence of why it thought what it had offered put Mr A in the position he was in before the claim, with a bracelet of comparable style and quality. Although AA replied to the provisional decision, I'm not persuaded it has shown its offer was fair.

I was aware the settlement was based on photos. I haven't seen anything that showed me the company that did the valuation raised any concerns about whether it could validate the claim. I provided AA with examples of bracelets and Mr A's comments on them to illustrate some of the issues. I remain of the view that AA hasn't shown that it was fair for it to settle the claim in the way it did. Having considered all of the evidence, I think AA should pay £1,200 to settle the claim and that, whether it pays it as cash or a voucher, it can't discount the amount, although it can take into account the excess.

Putting things right

AA should pay Mr A £1,200 to settle the claim and pay interest on that amount. It should also pay Mr A £100 compensation.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld. I require AA Underwriting Insurance Company Limited to:

- Pay Mr A £1,200 to settle the claim.
- Pay 8% simple interest on that amount from the date on which Mr A first made the claim to the date on which it settles it.
- Pay £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 April 2023.

Louise O'Sullivan
Ombudsman