

The complaint

Mr E has complained about his caravan insurer Ageas Insurance Limited, in respect of a claim made for theft of the caravan.

Ageas is the underwriter of the cover. But it uses various companies to manage claims. They act on a delegated authority basis from Ageas – so Ageas is responsible for their actions. For ease of reading, in the main, I'll refer only to Ageas.

What happened

Mr E's caravan was stolen in June 2021. In September 2021 Ageas offered settlement to Mr E. It said it would either replace the caravan, with Mr E needing to make a contribution towards current costs, or it would pay a cash settlement at a lower rate. In either case it proposed deducting an excess total of £500. Mr E was unhappy with the proposed settlements – in short, he felt the policy was unfairly written, making it unenforceable.

Ageas said it felt its proposals were fair. It said it could only provide a replacement caravan if Mr E contributed to the purchase because a new caravan would cost more than the sum insured. It said the alternative was for it to settle in cash – which Mr E may want to do anyway as it couldn't advise when, due to current market demands, it would be able to provide a replacement. And it said the policy allows it, when settling in cash, to settle based on the market value for the stolen vehicle, rather than on a "new for old" basis (which was the type of cover Mr E had chosen and paid for). It said there was a standard excess of £100 and an additional excess of £400 – the latter applying because the caravan was stored at a non-approved site and did not comprise approved safety features.

Mr E disputed Ageas' position at length, referencing many laws and regulations, also referring various of his concerns to bodies such as the Financial Conduct Authority. He also made a complaint to the Financial Ombudsman Service.

Our Investigator felt Ageas had offered settlement proposals in line with the policy terms. So he felt it had acted fairly and reasonably. Mr E did not agree with the outcome. His complaint was referred for consideration by an Ombudsman.

I felt that Ageas' settlement proposal had been unfair and unreasonable, as well as delayed. I thought it should be settling the claim based on the sum insured, plus interest and that it should be paying Mr E £300 compensation. So I issued a provisional decision to explain my views to both parties. My provisional findings were:

"I'll explain here that my decision does not answer or consider all of the points and arguments Mr E has raised about the cover. I trust he'll take this as no discourtesy. It is my job to get to the heart of the complaint issues and consider whether, in those respects, the business has acted fairly and reasonably. And, if it hasn't, what needs to be done to put matters right. The issue at the heart of all this is really the settlement. And that is what my decision will focus on. I think, having considered all of the points in discussion between the parties, and in their submissions to this service, there are three main concerns in respect of the settlement:

- Can Ageas rely on the sum insured to limit its liability for settlement?
- Can Ageas, if settling in cash, do so based on the market value of the caravan?
- Can Ageas apply the additional excess?

Sum insured

The policy schedule says the sum insured is £19,064. It says this is the sum insured for the 'new for old' cover. There's no further explanation here of what the phrases 'sum insured', or 'new for old' mean. But I wouldn't expect to find explanatory detail like this in a summary document like the schedule. The policy wording sets out the definitions of key terms. The definition for 'new for old' explains the cover is based on the replacement cost of the same type of caravan, or nearest equivalent – and that the maximum the insurer will pay for any claim is the sum insured. Furthermore, the cover letter sent with Mr E's renewal documents highlights that the 'new for old' cover is based on the sum insured, that the sum insured must represent the full replacement cost of the caravan, and that the sum insured is all the insurer will pay in the event of a claim. In bold Mr E is directed to check the sum insured to "avoid the risk of receiving less than you expect in the event of a claim". So I think Mr E was reasonably put on notice about what the sum insured was meant to reflect and what might happen if a non-reflective value was used.

It was always up to Mr E to ensure he gave correct information like this. It wasn't up to Ageas to check whether or not the information given was correct.

I'm aware that the policy only came into effect around ten days before the caravan was stolen. And that, in the interim, Mr E had become aware that the sum insured might not be indicative of the replacement cost. I understand that he was still considering whether or not to amend the policy when the caravan was stolen. That is unfortunate. But I don't think that means that Ageas must fairly act as though Mr E had taken the opportunity to update the cover. As I understand it Mr E was concerned that the additional premium, plus security requirements that would be required in line with an increased sum insured, were unfair. I'm not persuaded then that Mr E, if a little more time had been available before the theft occurred, would have reverted to Ageas to amend the policy in respect of the sum insured.

So I think Ageas' liability is reasonably limited to the sum insured. Which was £19,064.

Market value

Mr E arranged a policy and selected 'new for old' cover. He paid his premium and expected to receive 'new for old' cover in return. Only within the policy wording document does it explain that cash settlements, even on 'new for old' policies, will be based on the market value of the caravan – not its replacement or 'new for old' cost. I don't think that is fair. This is quite a restrictive term as it potentially changes the nature of the cover contracted for. If Ageas wanted to be able to rely on a term like this, I think it would need to have been highlighted within its documentation.

But, regardless, I don't think Ageas can fairly rely on that term here anyway. It isn't unusual in insurance policies for an insurer to add terms to the cover which seek to restrict its outlay for cash settlements in some way. Usually such terms don't go so far as to change the nature of the cover. But they all seek to protect the insurer from situations where it could replace an item, but the policyholder insists on being paid cash, where the 'cash' value will result in an increased outlay for the insurer. The principle is sound. But it all stands on the premise of an insurer reasonably being able to provide a replacement. And according to

Ageas' own details, it was not in a position to do that here. Ageas had obtained a price for a replacement caravan – but the stockist or manufacturer did not have any caravans for sale, and Ageas wasn't given any timescale for when one might become available. I appreciate the market was disrupted due to the Covid-19 pandemic. But I can't say that an unknown but potentially long wait for an item equates to the insurer offering a reasonable replacement. In that scenario, I think Mr E fairly and reasonably has to be offered a cash settlement based on what Ageas would have paid if it had been able to provide a replacement caravan.

Ageas said it would have paid for a replacement up to the value of the sum insured, but less the applicable policy excess(es). I'll deal with the excess(es) below. But, in respect of Ageas' maximum liability being the sum insured, taking into account my view above about the sum insured, I think that the most Ageas would have paid for a replacement caravan was £19,064.

Excess

Very succinctly, I don't think Ageas can fairly and reasonably apply the additional excess. The policy schedule is meant to contain all of the key policy information – such as applicable excesses. And there's also an "Important Policy Information Document". It is quite normal for excess values to be set out in summary in these documents – I wouldn't expect a policyholder to have to wade through all the policy documents in their entirety to try and find out what the key charges are which they might face when making a claim. And here it is only if the policyholder should happen to read the definition of "excess" on page six of the 19-page policy wording, that they are alerted to the fact that an additional excess for theft claims might apply. Additional that is, to the 'standard' excess set out in the schedule.

The IPID does not mention excess values at all. The schedule says that the standard excess for claims under section one (which include those for theft) is £100. That is all it says, it does not even, for example, say 'plus an additional excess, see policy wording'. There is nothing which alerts the policyholder to any other excess being potentially or likely applicable. As such, I don't think it's fair or reasonable for Ageas to apply the additional £400 excess.

Further, whilst Ageas can fairly and reasonably apply the £100 standard excess, this in line with good industry practice, should be applied to the overall claim amount. The claim amount, at over £20,000 exceeds the sum insured by more than £100. Which means Ageas is liable to Mr E for the full amount of the sum insured, £19,064.

Delay

This was not really a complicated claim. I appreciate though that it came during the time of the pandemic – so some insurers were seeing additional pressures. Even then, I can't see why it took Ageas from June to September 2021 to make its offer of settlement. I think it was likely delayed by at least around two months. I don't doubt that was frustrating for Mr E. And when the settlement offer was made, it wasn't, as I've found, fair or reasonable.

I'm minded to require Ageas to pay Mr E £300 compensation for the upset its delay and unfair settlement offer caused. I'm also minded to require Ageas to add interest on to the settlement amount from the date of loss until settlement is made. This to make up for the fact that Mr E's claim was not settled in a timely manner as expected – meaning he had neither replacement goods nor money with which to purchase any, as the policy entitled him to."

Mr E said he felt my decision presented an equitable outcome. He provided some further comment about the role of the regulator, the trade guides used to assess the market value of a vehicle and Ageas' business practices.

Ageas said it didn't agree the claim was delayed. It said a timeline from its adjuster showed there was constantly claim activity occurring apart from for a period of two weeks in mid-August 2021.

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 thank Mr E for his further comments. But they don't impact on the findings I made. And I note he says that he views my suggested resolution as equitable.

I note the summary timeline provided by Ageas in reply to my provisional decision. But I was aware when considering the complaint that activity was occurring between June to September 2021, I had not suggested the claim was entirely left in abeyance. I still think the claim activity could have been handled better, in a more compressed, efficient manner – that it should not have taken Ageas until September 2021 to make its offer to Mr E. And I'm still satisfied that the offer then made was unfair and unreasonable.

Having reviewed the complaint in light of the responses from the parties to my provisional decision, my view on it remains unchanged. My provisional findings, along with my comments here, now form the findings of this, my final decision.

Putting things right

I require Ageas to pay Mr E:

- £19,064 in settlement of his claim for the stolen caravan, plus interest* from the date of loss until settlement is made.
- £300 compensation for distress and inconvenience.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Ageas to take off tax from this interest. If asked, it must give Mr E a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Ageas Insurance Limited to provide the redress set out above at "Putting things right".

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

Fiona Robinson
Ombudsman