

The complaint

Mr and Mrs K complain about Royal and Sun Alliance Insurance Limited's (RSA) settlement of their claim under their home insurance policy.

What happened

Mr and Mrs K made a claim in September 2019, against the policy for some stolen jewellery. Following our service's involvement RSA was instructed to settle the claim. However, Mr and Mrs K referred a further complaint to our service because of the way they said RSA were attempting to settle the claim.

In particular, Mr and Mrs K said that RSA had capped the limit of some jewellery sets to £10,000 and they felt that the delay in settling the claim had meant that they had lost out on the full value of the items.

Mr and Mrs K asked for RSA to reconsider the settlement it offered. But as RSA would not, they referred this new complaint to our service.

One of our investigators considered the complaint and thought it should be partially upheld. She said that RSA were fair to limit the jewellery sets to the policy limit for unspecified jewellery. And that it was fair to consider the jewellery sets as sets and not individual pieces. But she said that the delay in paying the claim meant that Mr and Mrs K were without the settlement longer than they should've been. So, she recommended that RSA pay interest at eight percent from 13 May 2020 until 24 August 2022 (the date the settlement was made), a total of 248 days.

Mr and Mrs K accepted the view. RSA did not. It said that when the original complaint was dealt with and the decision was upheld by our service, the ombudsman did not include any recommendation for interest to be paid. It said that it then reconsidered the claim and made the offers. If interest was to be recommended, our service ought to have recommended this on the original complaint. It was now unfair to effectively, retrospectively add interest. So, it asked for a decision from an ombudsman.

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 will partially uphold this complaint. And I hope my findings explain why I think this is fair.

There are two main issues of this complaint the first relates to the policy limit on unspecified items. The second relates to the amount of interest that RSA has been recommended to pay, as Mr and Mrs K were without the settlement longer than they should've been.

Dealing with the first issue. I have looked at the policy terms and conditions and it states that for unspecified items, there is a policy limit of £10,000. It seems that some of the jewellery which are described as sets, exceeded this limit.

Mr and Mrs K said that the jewellery shouldn't have been considered as sets and should be considered as individual pieces. And had they been considered as individual pieces, then they would come within the policy limit.

I'm not persuaded by Mr and Mrs K's comments as they themselves referred to the jewellery as sets and purchased them as sets. So, I don't think it was unreasonable for RSA to have considered them as sets. And as there was a policy limit in place, I don't think RSA were unfair to follow the terms and conditions of the policy and apply the limit to those unspecified items.

I've next considered the second issue of complaint relating to the recommended interest. RSA said that when the original complaint that had been with our service was resolved, the ombudsman failed to award interest at that time. So, it was unfair for our service to recommend interest now. I've had a thought about this, and I do think that we are able to consider interest now. And I'll explain why.

My colleague directed RSA to reassess the claim – not to settle it. There was the potential that such a reassessment of the claim might not have led to settlement. However, RSA has now settled the claim – albeit sometime after it ought reasonably to have done so. Therefore, I find it's reasonable for RSA to now pay Mr and Mrs K interest to recognise the time they were without access to money they were entitled to.

The next issue that I've considered is whether we should award interest, which includes the period when we were considering the previous decision. I think we can because, as I've said, we are saying that RSA should have dealt with the claim differently from what it did initially. And if RSA had assessed the claim fairly, Mr and Mrs K would've received indemnity then.

With this in mind, I've looked at whether it is fair to recommend the interest award from 13 May 2020. I think it is, so I'll explain why.

I've already explained the reason behind not awarding interest on the previous decision. To reiterate, it was because we told RSA to reconsider the claim. It did so and decided that the claim should be paid. But, had RSA reviewed the claim earlier in the way it should've done, a reasonable offer would've been made much sooner.

So, having reviewed the dates, Mr and Mrs K originally submitted the claim to RSA on 7 September 2019. RSA took around 248 days (after we had told it to reconsider the claim from the final decision). So, it's reasonable to assume that RSA would have taken 248 days to review the claim.

The next step would be to backdate the 248 days, from the date that Mr and Mrs K logged the claim with RSA. Because, if things had gone as they should, and RSA didn't unfairly decline the claim, it would have likely taken RSA 248 days to make an acceptable offer. So, 248 days from 7 September 2019 (the date the claim was logged) is 13 May 2020. But I should make it clear that the interest calculation ought to be based on the settlement figure that RSA arrived at in 2019, rather than 2022. In other words, RSA should calculate the settlement based off the 2019 value and then add 8% interest from May 2020 onwards.

Consequently, Mr and Mrs K would've likely had the benefit from this date, which is why interest ought to be payable from this date. And as I think RSA made a reasonable offer on 24 August 2022, the interest should be limited to this end date.

So, taking everything into account, as RSA were unreasonable to decline the claim and delayed Mr and Mrs K in receiving the settlement, Mr and Mrs K had lost the benefit of having the settlement sooner. As a result, I think this is a fair and reasonable outcome.

Putting things right

I direct RSA to put things right, as I set out below.

My final decision

For the reasons I've given, I partially uphold Mr and Mrs K's complaint and direct Royal and Sun Alliance Insurance Limited to:

Pay Mr and Mrs K 8% simple interest, from 13 May 2020, until the settlement offer was made on 24 August 2022, based on the 2019 settlement figure.

If Royal and Sun Alliance Insurance Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr and Mrs K how much it's taken off. It should also give Mr and Mrs K a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 8 September 2023.

Ayisha Savage
Ombudsman