

## The complaint

Mr M has complained about Lloyds Bank General Insurance Limited's (Lloyds') offer to settle a claim he made on his home insurance policy for a stolen Rolex watch.

## What happened

On 23 June 2023, I issued a provisional decision which explained why I was intending to uphold this complaint. I asked the parties to let me have their response to the provisional decision by 7 July 2023. This is what I said in my provisional decision:

### What happened

*Mr M made a claim on his home insurance policy, in November 2022, for two Rolex watches that he believed had been stolen by a tradesperson working in his property.*

*On 13 December 2022, Lloyds' offered Mr M £8,850 in settlement of his claim for one of the Rolex watches. However, Mr M didn't accept that offer because he believed it was significantly less than the value of an antique watch of the same year as his, available for purchase from the second-hand market. Mr M accepted Lloyd's offer in relation to the other watch, so I won't be addressing that part of his claim, in this decision.*

*After being provided with some additional detail as to the watches Lloyd's offer was based on, in February 2023, Mr M complained to Lloyds. He said he would either accept a cash offer for the limit specified by his policy, or a cash settlement for the higher second-hand market value for a Rolex manufactured in the same year. An offer of £8,850.00 against a valuation of £18,500.00 seemed unfair and ridiculous to him.*

*The complaint handler at Lloyds explained that the year of manufacture doesn't impact the new replacement value of the watch because the watches of a more recent manufacture date are all made to the same specifications of the model. He said that if a watch of the same year of manufacture was to be obtained, it would need to be sourced from the second-hand market, which were selling for well over the recommended retail price. He explained that resellers are able to charge a premium on those watches because they are sought after and there is no wait time. However, it was difficult to confirm whether second-hand Rolex watches were genuine.*

*Lloyds issued its final response not upholding Mr M's complaint on 22 February 2023. It invited Mr M to provide details of the second-hand watches he'd found, showing the watches were for the same year, same specification, and the amount they were being sold for.*

*On 28 February 2023, Mr M sent four advertisements for similar watches from the 1970s, which he said were classed as antique. The value of the watches in the advertisements ranged between £21,000 and £29,000.*

*On 9 March 2023, after considering the advertisements he'd sent, Lloyds issued a further response explaining that it wasn't able to consider the second-hand market value because the policy covers the cost of replacement as new, if available, or otherwise to the nearest equivalent. Its supplier confirmed that they didn't stock any of the same year watch, so had validated the claim on the basis of the nearest equivalent.*

*Mr M was unhappy with Lloyd's further response to his complaint, so referred it to this service. On 24 March 2023, in response to a request from our investigator to evidence the cost to Mr M of replacing his watch in line with the policy terms and conditions, Lloyd's supplier sent information showing the watch had a current purchase price of £9,000. They explained the watch was the nearest equivalent in the same quality and specification to the original watch which could be bought new in today's market.*

*Our investigator upheld Mr M's complaint and said that because Lloyds didn't pay him the £8,850 offered, it should now pay £9,000 to settle the claim together with 8% interest. Mr M ultimately accept the view, however, Lloyds did not, and requested an ombudsman's decision on the complaint. Lloyds thought that awarding 8% on the entire settlement sum was unfair because it had made Mr M a fair offer of £8,850 in December 2022, which he had rejected. Lloyds was also of the opinion that it was only inflation that had caused the value of the watch to increase.*

#### *What I've provisionally 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. While Lloyds accepted Mr M's claim, the amount it's offered in settlement of his claim hasn't been agreed.*

*Lloyds provided this service with an email from its supplier, dated 24 March 2023, which provided a link to a replacement watch. The supplier explained the watch is the closest replacement within the current range. Since the claim was assessed in December, the value of the Rolex had increased to £9,000. The supplier said that if Lloyds was happy to increase the settlement to that amount, she would send an amended quote to reflect the new value.*

*In considering whether Lloyds' have made a fair and reasonable offer to settle Mr M's claim, I've first looked at the policy terms. Page 9 of the policy terms and conditions, under 'What else do you need to know?' says:*

*'We use other companies (who we call suppliers) to repair or replace your things.....Where we use suppliers, we might get discounts. We will use their cost to us when settling claims. What we mean is, we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home.*

*We'll replace an item with a new item on a like for like basis. When we say, 'like for like basis', we mean we'll try to replace it with an exact match. If we can't find an exact match, we'll replace it with the nearest equivalent.*

*By 'nearest equivalent' we mean an item of the same quality and same specification.'*

*The policy terms clearly state that an item will be replaced with a new item on a like for like basis. I therefore think it's reasonable for Lloyds' to use a reputable supplier to provide a value for the watch based on a new equivalent watch. I don't think it is reasonable to expect Lloyds to base a cash settlement on a product that is from the*

*second-hand market at potentially an inflated price.*

*Lloyds' said that the value it's settlement ought to be based on is the £8,850 originally offered to Mr M. However, Mr M wasn't satisfied that the amount was correct and brought his complaint to this service. As Lloyds ought to be aware, in considering a cash settlement offered by a respondent business, we usually think it's fair for the business to pay the consumer the cost to them of replacing the item. And it was only after our investigator had requested a link to a watch that was currently for sale available for Mr M to purchase at that price, that Lloyds demonstrated the watch could be purchased by him for £9,000. Regardless of whether the increased value was likely due to inflation or some other reason, it is only at that point, that it was clear Mr M could purchase the watch on a like for like basis with the settlement monies. I'm therefore intending to partially uphold this complaint and require Lloyds to pay Mr M £9,000 in settlement of his claim, less any applicable excess.*

*In response to our investigator's view, Lloyds' also said that it was unfair of this service to award 8% interest on the settlement sum. So, I've next carefully considered whether 8% interest should be awarded to Mr M.*

*When Lloyds first offered £8,850 to Mr M in settlement of his claim, he rejected the offer on the basis that he believed it should be in the region of the limit the watch was insured for, of approximately £18,000, which he explains was based on a recent valuation of the watch. However, that valuation was stolen with the watch, so there isn't any available evidence to support Mr M's expectation for an increased settlement amount. On the other hand, Lloyds' used a reputable supplier in the market to provide a valuation based on new watches of the same specification. And while, a few months later the value to Mr M was shown to be £150 higher than the offer made by Lloyds, I'm currently of the view that overall, Lloyds made a fair offer to settle Mr M's claim.*

I concluded that Lloyds should pay Mr M £9,000 less any applicable excess, in settlement of his claim.

Lloyds responded to say it accepted the provisional decision. Mr M didn't provide a response. As the deadline for sending a response the provisional decision has passed, I consider it appropriate to now proceed to issue my final decision on this complaint.

### **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.

As neither party has provided any new arguments or information for me to consider, I see no reason to depart from the conclusions set out in my provisional decision.

For the reasons given in this decision and my provisional decision, I uphold this complaint and require Lloyds Bank General Insurance Limited to settle Mr M's claim as detailed below.

### **Putting things right**

I uphold this complaint and require Lloyds Bank General Insurance Limited to pay Mr M the sum of £9,000 less any applicable excess, in settlement of his claim.

**My final decision**

My final decision is that I uphold this complaint and require Lloyds Bank General Insurance Limited to pay the award detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 August 2023.

Carolyn Harwood  
**Ombudsman**