

The complaint

Mr F has complained about the way in which Zurich Insurance Plc ('Zurich') handled a claim under his storage insurance policy.

What happened

Mr F purchased clothes and sunglasses and was keeping them in storage. Unfortunately, a theft occurred from the storage unit in January 2023. Mr F reported the matter to the police, and also made a claim to Zurich under the storage insurance policy he held with Zurich. The claim was for just less £2,000. Zurich accepted Mr F's claim for the stolen items, but it applied depreciation to the claim value and were only prepared to settle Mr F's claim in the sum of £1,200. Mr F complained to Zurich however it maintained its stance.

Mr F was unhappy as he considered that the items had not only retained their value but some had increased in value. He referred his complaint to this service however the relevant investigator didn't uphold Mr F's complaint. He considered that Zurich had fairly assessed the claim and applied depreciation in line with current accepted industry practice. He thought that the items could fairly be considered to be second-hand items, even if they were bought as new and still tagged. He also thought that there was insufficient evidence to suggest that the items would have retained their initial value.

Mr F didn't agree with the outcome of his complaint. The matter has therefore been referred to me to make a final decision in my role as 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.

In this case, Zurich hasn't disputed that Mr F owned the items in question, nor has it disputed that the theft took place. The remaining question is whether it acted in a fair and reasonable manner in offering settlement on the basis of a depreciated value. I consider that it has acted in a fair and reasonable manner in this case, and I'll explain why. In determining this matter, I've also considered the submissions of each party as summarised below.

Mr F said that his goods were covered for just under £2,000 and he'd submitted receipts to evidence their value when purchased. He acknowledged that some of the items had been purchased some years previously. He quoted the relevant extract from the policy, however and stated that he'd understood that the basis of valuation for loss of items would be the actual replacement value of the insured goods at the time of loss, or the insured value, whichever was the lowest. Mr F said that the replacement costs of most of the items stolen were much greater now than when purchased. Mr F also said that the policy made it clear that no '*deductible*' would be applied for theft accompanied by forcible and violent entry. He said the unit '*was forced open and the lock ripped off...which is forcible entry.*'

Mr F felt that the total value of most of his goods would at least stay the same due to the relevant clothing brand names, and that replacement prices were much greater. He said that

most of the items were still brand new with the tags still attached. Mr F said that he'd stored his items in good faith and never expected his unit to be broken into due to its location. Mr F provided photographic evidence to show how he kept his items before the incident, some with tags on them. He provided photos of the damage to his unit and to tags that were left there. He said that unfortunately, he couldn't provide photos of the remainder of the tags, or they didn't come with tags. He also provided a photo of a sunglasses box with everything, including the shipping box it came in. When making his claim, Mr F had provided a list of the stolen goods with their estimated purchase value and purchase year.

Finally, Mr F provided information from weblinks and quoted the increased value of certain items and considered that he'd provided enough evidence to back up his claim. He said that the theft shouldn't have happened in the first place if the building had been secure and managed properly. He said he was struggling to understand Zurich's stance and said that his claim was legitimate and that *'it's not my fault my stuff was stolen.'* He wanted to know why it was down to the customer to provide all the requested information as this wasn't stated anywhere in the agreement.

I now turn to what Zurich has said about the matter. In its final response letter in June 2023, it said that it had carefully reviewed the matter. Whilst it could understand Mr F's frustrations, it didn't consider that it had acted unfairly in its application of depreciation as this was standard industry practice. It offered to Mr F to pay £1,200 in settlement and said that this was less than initially claimed because of the depreciation of the items. It explained its calculations were based on depreciation for items at a level of 10% per year with a certain minimum remaining value and for clothing 30% in the first year, with 10% then per year, also with a certain minimum remaining value.

Zurich stated that whilst it appreciated that there may be a market increase in the value of some items, it considered that its decision was still correct. It considered that it hadn't been supplied with evidence which conclusively proved that the items had all been kept in brand new condition. It said that Mr F didn't keep clothes to sell them and make a profit and said he had no history of doing so and had said *"I just like to keep them that way"*. It referred to one item of clothing as an example, where the tags showed that the item was bought at a sale price, but still considered that depreciation needed to be taken into consideration. It had also written to Mr F to state it didn't consider it could pay the value as new for items that were 3 to 7 years old, and certainly couldn't pay more than the original purchase price.

The starting point in matters of this nature is the wording of the relevant policy. The policy covers loss to goods during storage, including where a theft occurred *'accompanied by forcible and violent entry'* as in this case. Under the heading *'Basis of valuation'*, the terms and conditions state that settlement of a claim shall include replacement or compensation at Zurich's option and Zurich chose to pay compensation. The terms also stated; *'In the event of a total loss...of an insured item, the basis of valuation shall be the actual value of the insured good at the time of loss.'* They also stated that a valuation would be limited to *'the replacement value and/or the insured value, whichever is the lowest. Insurers will take into account the age, quality, wear and tear and consequent market value of any such lost or damaged item.'* Where items were underinsured, the customer would only be entitled to recover a proportionately reduced sum. Whilst the terms and conditions stated that no *'deductible'* would be applied in the case of a relevant theft claim, it was clear that a deductible was an *'excess'* amount which would be applied in certain circumstances, but which didn't apply in this instance. Finally, in agreeing the policy, the policy holder agreed to *'submit all documentation in relation to the claim'*.

I'm satisfied that the actual value of the goods at the time of loss would take into account the specific age, quality and condition of each item. I note that the age of the relevant items varies, from recent to 7 years. The brands of each item are evidenced. Whilst Mr F

considered that as some items retained their tags they were 'as new', they were nevertheless second hand. I appreciate that items can increase in value over time despite being pre-owned.

Unfortunately, however, Mr F has been unable to provide persuasive evidence and documentation to show that each individual item of the specific age and condition of his items has retained or increased in value. The replacement value would likewise need to reflect their age and second-hand nature. On the balance of probabilities, where some may have retained value, it's likely that others will not. In all the circumstances I can't say that Zurich has acted in an unfair or reasonable manner in applying depreciation.

As to the depreciation calculations provided by Zurich, again I can't say that the average percentage reductions it has used to reflect the age of each item, has been unfair or unreasonable. This standard industry approach isn't unreasonable in this case. In all the circumstances, I also can't say that its offer of settlement in the sum of £1,200 was unfair or unreasonable.

My final decision

For the reasons given above, I don't uphold Mr F's complaint and I don't require Zurich Insurance Plc to do any more in response to his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 24 September 2023.

Claire Jones
Ombudsman