

The complaint

Miss C is unhappy with Fortegra Europe Insurance Company Ltd's (Fortegra) handling of a warranty claim.

What happened

In July 2021, Miss C purchased a new sofa and took out a warranty. She made a claim under the warranty as some of the paint had begun to come away from the leather. An engineer carried out a repair. But Miss C said the damage happened again and she notified Fortegra in January 2023.

Miss C says she had to wait several months for an update on her claim. And then she was told the part couldn't be sourced and a replacement sofa couldn't be offered. As a result, she was offered a reselection mandate to purchase a sofa from the same retailer. Miss C was unhappy with this, saying the policy terms stated she might be entitled to a cash settlement, but didn't reference a reselection mandate. Unhappy with Fortegra's reluctance to issue a cash settlement, Miss C complained.

Fortegra responded to Miss C's complaint and said resolving a claim by way of a cash settlement was based on its discretion, not something it was required to do. It was satisfied offering a mandate for a replacement sofa was appropriate in the circumstances. But Fortegra acknowledged there had been delays in updating Miss C with the progress of her claim. They offered her £50 compensation in recognition of this.

Miss C remained unhappy and referred her complaint to us. Our investigator said the offer of reselection was fair and reasonable in the circumstances. Miss C didn't agree so the matter was passed to me. I issued a provisional decision in July 2023. I've copied my findings below:

"The case notes show in January 2023 the amount Miss C was entitled to under the indemnity was £1,899, but a deduction of £135.50 was made for the previous repair. On 11 March, Miss C was sent a reselection mandate for a total of £1,763.50 plus £99 for delivery. This amount was calculated by deducting the cost of the initial repair from the indemnity limit.

However, the claim notes stated the deduction for the initial repair shouldn't be made, because it was noted to have failed. The case notes also show this was decided on 13 March, two days after the reselection mandate was sent to Miss C. We asked Fortegra to explain why the deduction had been made and confirm if it had resent the revised mandate the claim notes show Miss C should have received. We didn't receive a reply to this enquiry. We also asked Fortegra to explain why it was offering a reselection mandate when the terms and conditions say:

"SECTION 3 – WHAT IS COVERED

3. If a repair cannot be achieved, we may replace the damaged part. If this is not possible, Guardsman may provide a replacement product(s), or settle the claim by a cash payment at Guardsman and your Insurer's discretion instead of repair or

replacement (up to the limit of indemnity) ...”

The policy terms don't reference settling claims by reselection mandate. I haven't received a response from Fortegra to clarify why it chose to offer Miss C a reselection mandate rather than a cash settlement, or whether it sent a mandate for the correct amount. So, I've reached a conclusion I consider fair and reasonable based on the information available.

To put things right, I'm intending to require Fortegra to make a cash settlement in the absence of any explanation as to why it seemed to be departing from the policy terms. And, given that it identified Miss C should receive this amount back on 13 March, it should add simple interest at 8% from 13 March 2023 until the date of settlement.

Fortegra offered Miss C £50 compensation. However, I'm inclined to say this amount isn't sufficient here. Fortegra identified Miss C has not only experienced delays of several weeks before understanding how her claim might be settled. I can't see she received an answer to her question about why she was being offered a mandate for the reduced amount. But there has been further inconvenience caused by the mandate containing the wrong amount, but I can't see this has been put right. With this in mind, I'm inclined to increase the compensation to £150 to reflect the worry, distress and frustration caused.”

Miss C accepted by provisional decision. She said that part of the reason she didn't consider the mandate was fair was because purchasing an equivalent sofa for this amount wasn't possible, but had one been offered, she would have accepted a replacement.

Fortegra responded but didn't accept my provisional decision. In response, they said:

- They pay full price for any items purchased, which is why they don't offer cash settlements and offer reselection mandates instead.
- Whilst the cash offer is in the terms, it is stated its at their discretion.
- The case notes state they provided Miss C with the full amount paid for the damaged items (without the failed repair costs deducted).

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.

However, having done so, I've reached the same conclusion as set out in my provisional decision.

The policy terms state a claim can be resolved by a cash payment at the insurers discretion. And I think it would be helpful for me to set out why I consider making a cash payment over a reselection mandate is a fair and reasonable outcome for the circumstances of this case.

I've reviewed the sofa Miss C purchased. The same sofa is no longer available, and Miss C says to buy a comparable replacement from the same retailer would be around £800 more. I've reviewed the website of the retailer Miss C purchased her sofa from and when looking for a two corner, two power double recliner, the cost of the only other available sofa with this specification costs considerably more than Miss C paid for her sofa.

Miss C said her financial circumstances are such that she cannot afford to continue paying off the existing finance agreement whilst finding such a large amount to buy a replacement sofa. If Miss C could buy a similar sofa for broadly the same amount as the reselection mandate, I might be inclined to say this was an acceptable resolution. But given Miss C cannot readily buy a comparable replacement from the same retailer, I consider a cash

settlement a fair and reasonable outcome. To put things right, I require Fortegra to pay Miss C the full amount of the indemnity in cash.

After my provisional decision, I asked both sides about the increased mandate that was the notes indicated was due to be sent to Miss C. There's no dispute the original mandate sent was for a lower amount than Miss C was entitled to – it included a deduction for a failed repair. Miss C says she only received the revised mandate in the last couple of weeks. Fortegra say this was sent to her in June.

Even if I was to accept the revised mandate was sent to Miss C in June, this was almost three months after Fortegra identified the initial mandate was for the wrong amount. This means it couldn't have been used by Miss C even if she had identified a replacement sofa to purchase because it wasn't for the amount she was owed. So, I think it's fair Fortegra take steps to compensate Miss C for the fact she's been unable to take any action to arrange a replacement sofa since 13 March 2023 as a result of its failure to provide her with the full amount she was entitled to at the time the claim should have been settled. Fortegra should pay simple interest at 8% from 13 March 2023 (when it identified the increased mandate should have been sent) until the date of settlement.

I remain of the view a compensation payment should be paid to reflect the inconvenience and frustration experienced by Miss C as a result of Fortegra's handling of a claim. It delayed providing her with an answer initially to the claim and then didn't put things right properly for Miss C. Fortegra should pay £150 compensation in respect of this.

My final decision

My final decision is that I uphold this complaint. To put things right I require Fortegra Europe Insurance Company Ltd to:

- Pay Miss C a cash settlement of £1,899.
- Pay simple interest at 8% from 13 March 2023 until the date of settlement.
- Pay Miss C £150 compensation for the distress and inconvenience experienced.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 28 September 2023.

Emma Hawkins

Ombudsman