

The complaint

Mr H complains about how American International Group UK Limited trading as AIG UK handled his mobile phone insurance claim and that it won't refund the policy premiums. My references to AIG include its agent which is the business that handled Mr H's claim.

What happened

Mr H has insurance for his mobile phone through a Tech Pack that is provided through his package bank account. The policy insurer is AIG.

When Mr H's mobile phone became faulty he made a claim to AIG. It accepted the claim and sent him a replacement phone which was faulty. Mr H said from September to November 2022 AIG sent him four faulty phones in settlement of his claim.

AIG accepted the replacement phones were faulty and paid compensation for Mr H's distress and inconvenience of £55, £70 and £35. The compensation payments included refunding Mr H £10 for the screen protector he bought for one of the faulty replacement phones. AIG said Mr H should complain to the bank if he wanted the policy premiums repaid.

Mr H complained to us. He said each time a replacement phone was delivered to him he had to take time off work to wait for the phone and spent two to four hours setting up the phones which then didn't work properly. As he was fed up getting faulty phones he'd bought a new phone. He wants AIG to collect the last faulty phone it sent him and return the policy premiums.

One of our investigators said AIG should replace the last faulty phone it sent Mr H and pay a further £65 in compensation for Mr H's additional stress and inconvenience caused by another faulty phone. But he said whether any premiums should be refunded was a matter for the bank as the policy was part of the overall benefits from Mr H's package bank account.

AIG agreed with the investigator's recommendation.

Mr H made a separate complaint to us about the bank's handling of the claim and the bank's refusal to refund the policy premiums. One of my ombudsman colleagues made a final decision on that complaint which said the bank wasn't responsible for handling the claim and the bank didn't need to refund any premiums to Mr H.

Mr H wanted an ombudsman's decision on his complaint about AIG. He said our decision about the bank contradicted what the investigator told him in this complaint about AIG.

What I provisionally decided – and why

I made a provisional decision that I was partly upholding the complaint. I said:

'It's important for me to set out which business is responsible for the issues Mr H has complained to us about in this complaint.'

Page 10 of the Tech Pack, under the heading 'policy documents' says:

'AIG UKhave appointed (business beginning with L) to act on Our behalf as Our agent to help Us administer Your Policy and claims...'

So the policy terms says AIG, as the insurer, is responsible for administering and handling claims through its agent L.

Page 26 of the Tech Pack sets out the arrangements for the policy premium. Under the heading 'About our insurance services' it says that 'we', refers to the bank and, on the same page of the Tech Pack, under the heading 'Statement of price' it says:

'We hold the insurance premium you pay to us, and any premium refunds payable to you, in respect of the insurance products included in the Tech Pack as agent of American International Group UK'.

That means the bank holds the policy premiums as agent on behalf of and for AIG. So any decision by us about whether or not the policy premiums should be refunded to Mr H needs to be against AIG.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And they mustn't turn down claims unreasonably.

I'm intending to say that AIG should pay Mr H further compensation of £65 for his distress and inconvenience, as it's now agreed. But it doesn't need to refund the premiums to Mr H. I'll explain why.

Although there will usually be some inconvenience when a faulty phone has to be replaced it's clear that Mr H has been unreasonably inconvenienced and stressed by the four faulty replacement phones AIG sent him to settle his claim. He's had to take time off work to wait for the phones to be delivered, taken time to set up phones which are then faulty and had to deal with AIG to sort out the issue.

I don't think the £160 compensation AIG paid Mr H is enough to reflect the inconvenience he's had due to its errors. I think an additional payment of £65 as our investigator recommended, so £225 compensation in total, is a reasonable amount and AIG now agrees.

The issue of whether AIG should refund Mr H his policy premiums is a separate issue, not related to his distress and inconvenience.

AIG provided cover to Mr H under the policy while he had the policy. Even if Mr H made no previous claims under this policy, the policy covered his phone and gadgets in line with the policy terms. When Mr H made this claim for his faulty original mobile phone AIG replaced the phone in line with the policy terms. The four replacement phones were faulty and Mr H's inconvenience and stress associated with that is why AIG needs to pay Mr H compensation, as I've detailed above. But the cover under the policy was still there. AIG wants to send Mr H another replacement phone, as set out under the policy cover, in return for the faulty phone he still has.

I understand why Mr H has chosen to buy a new mobile phone and doesn't want AIG to replace the faulty phone it sent him. If Mr H still wants to return the faulty phone without AIG providing another replacement he can do so. But that doesn't mean AIG has to refund the policy premiums. AIG has covered Mr H's phones and gadgets for the period the policy has been in place.

There's no basis for me to say that AIG has to refund the policy premiums'.

Responses to my provisional decision

AIG said it had nothing to add. Mr H said £225 wasn't enough compensation to reflect his inconvenience due to the four faulty phones in two months. And, contrary to what AIG had told us, it had recently told him it couldn't replace the faulty phone as it didn't have the model in stock. He said he had to travel to get the phone repaired, which was more inconvenience.

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.

AIG wouldn't know what stock it would hold at the time Mr H contacted it to replace the faulty phone. But if Mr H wants to pursue the additional inconvenience he says he's had in having to travel to get the faulty phone repaired as AIG couldn't replace it with the same model that's a new matter. Mr H will need to raise a new separate complaint with AIG about that matter. If the parties can't agree he can make a separate complaint to us. I haven't considered the new matter as part of this decision.

As to Mr H's distress and inconvenience due to the issues with AIG's claim handling that I have considered, set out in my provisional decision above, I'm satisfied that AIG paying Mr H a total of £225 compensation is a reasonable amount for the reasons I set out above. And for the reasons I set out above there's no basis for me to say that AIG has to refund the policy premiums.

Putting things right

AIG must pay Mr H a further £65 compensation, so £225 compensation in total, for his distress and inconvenience in its handling of his claim, as it's now agreed.

My final decision

I partly uphold this complaint and require American International Group UK Limited trading as AIG UK to pay Mr H a further £65 compensation, so £225 compensation in total, for his distress and inconvenience in its handling of his claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 October 2023.

Nicola Sisk
Ombudsman