DRN-4367494

The complaint

Mr and Mrs D complain that QIC Europe Ltd declined a claim they made on their home insurance policy for a damaged ring.

Mr D has primarily dealt with things so, for simplicity, I'll refer to him only.

Reference to QIC includes its agents and representatives.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr D got in touch with QIC in November 2022 to make a claim for damage to a ring. QIC appointed a jeweller, L, who said the ring would cost around £3,500 to replace and £3,100 to repair, as the repair included replacement of the diamond.

- QIC said items worth more than £2,000 needed to be specified in order to be covered – and the ring wasn't. So it declined the claim.

- Mr D said he bought the ring for around £1,000 in 2004. Whilst he accepts it was likely to have increased in value since then, he didn't think it would have increased by as much as L said it had and considered £2,000 provided sufficient cover. He noted L had offered to repair the ring for privately for £1,500, which he paid, and questioned how this figure was compatible with the figures it gave to QIC.

- Our investigator noted the policy said it would pay up to £2,000 for any unspecified item. And, as the ring hadn't been specified, it should be covered up to this limit. But the policy also said unspecified items weren't covered, so he thought the policy was unclear. Overall, he thought it would be fair for QIC to pay the claim up to the £2,000 limit by covering the repair cost Mr D had paid L.

- QIC reiterated its earlier position and arguments and asked for the complaint to be referred to 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.

- The policy covers accidental damage to the ring. It's not in dispute this is how the problem occurred, and so the damage to the ring is covered by the policy in principle.

- QIC pointed to two policy terms in order to decline the claim:

    - *The value of items [including the ring] often varies independently of inflation. You should make sure that these items are insured for the correct amount at* *all times. If you have specified any items, please refer to any endorsement issued for details of how often these items should be valued.*

- *The amounts shown below are the most we will pay:*

  i. *Contents – up to the contents sum insured shown in your schedule.*
  ii. *Unspecified valuables - £10,000 or the amount shown in your schedule, whichever is higher. The most we will pay for any single unspecified valuable is £2,000.*
  iii. *Specified valuables – if you have specified any valuables, these will be shown in your schedule. If you have not specified any valuables, they will not be insured.*

- The first policy term says Mr D should have insured the ring for the 'correct' amount. But it doesn't say what it means by that – is the 'correct' amount the current market value, the amount Mr D would like the ring to be insured for, or something else – and nor does it say what the consequence of not insuring for the correct amount is.

- Because of this, I'm not satisfied QIC can rely on the first policy term to decline the claim. I also note it only references getting a valuation if the item has been specified. So as the ring wasn't specified, this term doesn't mean Mr D should have got the ring valued.

- Like our investigator, I think the second policy term is unclear. On the one hand, it says it will pay up to £2,000 for a single unspecified valuable. On the other, if valuables haven't been specified, they won't be insured at all.

- In its final response, QIC said this term meant that any valuable worth more than £2,000 should be specified. However, the terms QIC relied on in its final response don't say that.

- During our investigation, QIC pointed to a third policy term. This says:

  - *You will need to specify any … valuables that are individually worth £2,001 or more. If you have not specified these items, they will not be insured.*

- Putting this third term together with the second explains why QIC took the position it did. But I note these terms are several pages apart in the policy, so it's still not particularly clear. And whilst these terms are in the full policy wording, they don't form part of the sale or renewal. I wouldn't expect Mr D to have to read the entire policy and take various terms from different parts of it to infer what information he should provide when taking out or renewing his policy. At that time, important information should be provided in a clear, fair and not misleading way – including what items need to be specified and the consequences of not doing so.

- The renewal document I've seen says: *"Do you have any valuables … worth over £2,000?"* and it goes on to list another item, unrelated to this claim. Whilst QIC says Mr D should have got the ring valued, the question doesn't ask him to. And, as noted above, I don't think the first policy term did either.

- The question effectively requires Mr D to estimate the value of the ring. When doing so, I would expect him to take reasonable care. L valued the ring at around £3,500 in December 2022 – eight months after the April 2022 renewal. That suggests QIC thinks Mr D should have estimated the ring's value at more than £2,000 at the renewal. However, it has also said: *"We do not believe a misrepresentation has occurred as when the ring was purchased in 2004, the valuation was approximately £1,000"*. This suggests QIC thought Mr D's estimate was reasonable. So QIC's position is unclear.

- Mr D says he thought £2,000 was sufficient. And I think L's offer to replace the diamond and carry out the repair for £1,500 supports that. It estimated a difference of less than £400 between repair and replacement, suggesting £2,000 would cover the replacement through L. It's not clear why it carried out the repair privately for £1,500 yet quoted a repair cost to QIC more than twice that.

- I note Mr D specified another item that he did think was worth more than £2,000. So it's clear he considered the question and provided the information he thought he needed to.

- Taking everything into account, I'm not satisfied QIC acted fairly when it declined the claim. To put things right, QIC should accept the claim. The remaining terms and conditions of the policy will apply, such as the excess and policy limits. As the damage has been repaired, QIC will have to settle the claim by cash payment. In line with this Service's usual approach, it should add interest to that cash payment to reflect that Mr D has unfairly been without the money.

My final decision

I uphold this complaint and require QIC Insurance (Europe) Ltd to:

- Accept the claim.
- Pay interest on the claim settlement at 8% simple per year, from the date Mr D paid for the repair to the date of settlement*.

*If QIC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs D how much it's taken off. It should also give Mr and Mrs D a tax deduction certificate 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 Mrs D and Mr D to accept or reject my decision before 30 April 2024.

James Neville
Ombudsman