

The complaint

Mr R complains that American International Group UK Limited (“AIG”) unfairly declined a claim he made under his mobile insurance policy.

AIG is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As AIG has accepted it is accountable for the actions of the agents, in my decision, any reference to AIG includes the actions of the agents.

What happened

In mid-2023, Mr R accidentally dropped his mobile phone and damaged the screen. He immediately took it to the nearest mobile phone shop to be fixed. A few days later, Mr R tried to make a claim for the cost of the repairs under his mobile phone insurance policy with AIG. But he was told he couldn’t claim under the policy because the phone had already been repaired.

Mr R raised a complaint, but AIG maintained its position. So, he asked our service to consider the matter.

Our investigator didn’t think Mr R’s complaint should be upheld. She thought AIG had acted fairly, in line with the terms and conditions of the policy.

Mr R disagreed with our investigator’s outcome. He made a number of comments relating to the sale of the policy by his bank. He said AIG had told him it was not possible to have his phone repaired anywhere else by walking in and the only option was to have it couriered. He said this conflicted with post-purchase information from his bank and the pre purchase information was even more basic.

Mr R said he thought AIG’s response was unfair and unlawful, and referred to legislation and regulations he felt were relevant.

Mr R said limitations of the policy hadn’t been made clear to him when he took it out. He wasn’t aware that he needed to use a specific repair shop and there was no right to choose a walk-in. He said he hadn’t been made aware that he’d need to make a claim before incurring the repair cost, which he felt was contrary to how other insurance policies work. He also wasn’t told that he needed to make the claim in a very specific manner (through his bank’s app). He felt the policy’s limitations were so severe that they made it inadequate. He said he’d read all of the information available for purchase and nothing told him how severely limited the policy was.

Mr R said the limitations weren’t referenced in the Insurance Product Information document (IPID). They were hidden in the terms and conditions which were only provided later and would be viewed on a phone which was otherwise broken. He felt AIG’s insistence on following a specific claim process before incurring repair costs was impractical and unfair, especially when immediate repair was required due to the phone being unusable.

Mr R said the restrictive terms disproportionately affect customers in urgent situations or those who might be considered vulnerable. He felt the impact on customers such as himself,

caring for a newborn and reliant on his phone for work and personal matters was disproportionate.

As Mr R disagrees with our investigator's outcome, his complaint has been passed to me to decide.

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.

Having done so, I've decided not to uphold Mr R's complaint. I'll explain why.

I've considered everything Mr R has told our service, but I'll be keeping my findings to what I believe to be the crux of his complaint. I wish to reassure Mr R I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

I understand that the mobile phone insurance was provided as a benefit of Mr R's packaged bank account. Mr R has made a number of comments relating to the sale of the policy by his bank. To be clear, in this decision I can only consider matters that AIG (as the insurer) is responsible for. If Mr R believes the policy was mis-sold, he would need to direct his concerns to the bank. Our service may then be able to look at these as a separate complaint.

Mr R has also referred to the Consumer Duty in his submissions to us. However, the Consumer Duty only came into force on 31 July 2023, and it isn't retrospective. The events Mr R has complained of occurred before that date, so the Consumer Duty isn't relevant here. However, I've taken into account the relevant rules and legislation in place at the time, along with the overarching principle of fairness in my decision.

The policy's terms and conditions set out what AIG will do in the event of a claim. They say:

"... If, during the period of cover, your phone is damaged or suffers a breakdown due to an internal fault which occurs after the manufacturer's warranty has expired, we will repair your phone either by having you mail in your phone to us, you taking your phone to our repair agent or our repair agent coming to your location. We will discuss the available repair options with you when you make your claim. If we are unable to repair your phone, we will provide you with a replacement phone..."

Mr R thinks AIG should cover the cost of his phone being repaired. However, the terms of the policy don't cover repair costs. I think it's clear from the policy's terms that AIG would settle a claim for a damaged mobile phone by repairing or replacing it.

Mr R has commented that the policy has severe limitations which he says were hidden in the terms and conditions.

Mr R has provided a screenshot from the bank's website which says:

"If your phone is accidentally damaged.

Cracked screens. Broken charge ports. Accidents happen. With mobile phone insurance from (Bank) your mobile will be covered for accidental damage. We'll arrange a repair or replacement asap, so long as you're in the UK."

I think it's clear from this wording that cover under the policy relates to a "repair or replacement" of the phone, rather than a reimbursement of repair costs.

Mr R says he wasn't aware that he needed to use a specific repair shop and there was no right to choose a walk-in. He says the IPID doesn't make any reference to this limitation. It simply states that "damage" is covered and customers can "choose a walk-in or mobile repair".

Mr R has also referred to wording on the bank's website which says:

"Depending on your location and type of damage, you may be able to choose a walk-in or mobile repair at a time convenient to you."

Mr R has interpreted the above to mean that it was possible to have the phone repaired at a more convenient location of a policyholder's choosing if the insurer's options for repair were inconvenient. He says he took his phone to a convenient location (a walk-in) as there were no repair options nearby. He says AIG later told him over the phone that it was not possible to have his phone repaired anywhere else by walking in and the only option was to have it couriered.

AIG says this statement was in relation to a claim being submitted and assessed by a claims handler. The claims handler would either arrange the repair with an approved repairer or make an appointment for the insured to take the device to a walk-in approved repairer.

The wording Mr R has referred to is part of a paragraph with the heading "Speedy claims service" which starts by saying: "Repaired phones will be delivered to you within 5 business days of the excess being paid and us receiving the phone..." AIG says this suggests all of the options are given once a claim has been submitted and assessed and the excess paid.

The policy's terms and conditions say available repair options will be discussed when a claim is made. While there might not have been an approved repairer near Mr R's home, I don't think this would have prevented AIG from fulfilling the terms of the policy. The policy's terms and conditions say a damaged phone can be mailed to a repairer. The wording Mr R has referred to only says that a policyholder "may" be able to choose the walk-in repair option. So, while this is something that might be offered as an option for some claims, I don't think this was guaranteed.

In any event, I don't think the wording suggests that a policyholder could take a phone into any mobile phone repair shop of their choosing without prior approval from AIG.

The IPID says:

"We will repair your phone, where possible. If you choose a walk-in or mobile repair, any repairs will use genuine manufacturer or manufacturer quality parts and include a 24-month limited warranty provided by the repair agent. If you mail your phone to us, it will be repaired by an original equipment manufacturer accredited repair agent and includes a 12-month limited warranty."

I'm not persuaded that this wording is misleading. AIG wouldn't be able to offer a guarantee on repairs carried out by any repair shop a policyholder chose to walk into. So, I think it's clear that any repair would be carried out by one of its approved repairers.

I'm also not persuaded that the claims process was restrictive. Most insurance policies require a policyholder to contact the insurer as soon as possible if they wish to make a claim. It's usual for a policyholder to seek approval from the insurer before incurring costs that they feel should be covered by the policy.

I appreciate Mr R was concerned about being without his mobile phone for any length of time because of his work and personal circumstances. But it wouldn't be fair or reasonable for me to tell AIG to reimburse Mr R for costs he incurred from arranging his own repair when it didn't authorise these costs and they weren't covered by the policy.

Mr R has commented that the policy requires a policyholder to make a claim in a very specific manner (namely through his bank's app which links to an online portal). However, the policy's terms and conditions give several options for making a claim (online, over the phone and in writing).

I appreciate it was more difficult for Mr R to check the policy's terms and conditions and contact AIG while his phone was broken. However, I'm not persuaded it wasn't possible for him to contact AIG or his bank before arranging for the phone to be repaired.

I understand it was disappointing for Mr R to find that his mobile phone insurance policy didn't provide cover in the way he expected it to. However, I'm satisfied that AIG has acted fairly and reasonably, in line with the policy's terms and conditions. So, I don't require it to do anything further.

My final decision

For the reasons I've explained, I don't uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 February 2024.

Anne Muscroft
Ombudsman