

The complaint

Miss W has complained that Admiral Insurance (Gibraltar) Limited's ('Admiral') offer to settle a claim under a home insurance policy was unfair.

What happened

Miss W made a claim for a ring specified on her Admiral policy. Admiral considered the claim and found that the ring was underinsured. The ring was valued at £5,780 but had been insured for £3,500. So, Admiral said it could settle the claim by providing a bespoke ring, a voucher for £3,500 or £2,070 cash.

Miss W complained because she said she couldn't replace the ring for the voucher or cash amounts. When Admiral replied, it said it had offered a settlement based on the amount the ring was specified for in the policy, which was the maximum it would pay. It also said it was unlikely Miss W would be able to replace the ring like for like at a jeweller as it was underinsured. However, it said its settlement was fair based on the policy terms and conditions.

When Miss W complained to this service, our investigator upheld it. She said Admiral hadn't offered a fair cash settlement. This was because it hadn't correctly applied the discount to decide the cash settlement figure. Admiral's supplier had said it would cost £3,352.40 for it to replace the ring, so this was what it should have offered as the cash settlement. She also said Admiral should pay £100 compensation for the stress and inconvenience caused to Miss W.

As Admiral didn't agree, the complaint was referred to me.

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 uphold this complaint. I will explain why.

Miss W's ring was underinsured. So, Admiral said it would pay a settlement up to the amount insured, which was £3,500. I think that was fair and in line with the terms and conditions of the policy. However, Miss W didn't think the options Admiral offered to settle the claim was fair.

The policy terms and conditions said:

"We will decide to either:

- *repair the item*
- *restore the item (for example, use professional cleaners for carpets)*
- *pay the cost of repairing the item or replace the item as new, or*

- *pay in cash or vouchers up to the amount we could repair, restore or replace the item for.”*

Admiral offered a bespoke ring or a voucher for £3,500. I think that was fair. However, it offered a cash settlement of £2,070, which seems to be the main area of dispute. So, I've thought about this.

Admiral's supplier said it could replace the ring by creating a bespoke ring at a cost of £3,352.40. The policy said that where cash or vouchers were paid these would be up to the amount to replace the item. A voucher should normally be for the amount it would cost a policyholder to buy a replacement item at the retailer. I'm aware Admiral valued the ring at £5,700. The voucher it offered was capped at £3,500 because that was the policy limit. The voucher amount wasn't the cost to replace the ring at a retailer.

I've also considered this service's normal approach where an insurer offers to replace an item but also offers a voucher or cash. An insurer can normally discount the cash settlement based on the amount it would cost it to provide the voucher. Having thought about this and the individual circumstances of this complaint, I think applying that would create an unfairness for this claim. The voucher offered wasn't for the replacement value, it was the policy limit. So, I don't think Admiral can fairly calculate the cash settlement based on the voucher amount. However, it was possible for Admiral to replace the ring within the policy limit by it providing a bespoke ring, which would cost £3,352.40 to make. This was below the policy limit and, in my view, is therefore the amount that should have been used as the basis for the cash settlement.

So, I think as well as its offer to provide a bespoke ring or a £3,500 voucher, Admiral should offer a cash settlement of £3,352.40. I also think Miss W has been caused inconvenience by Admiral because of how it offered to settle this claim. So, Admiral should also pay £100 compensation.

Putting things right

Admiral should offer a cash settlement of £3,352.40, in addition to the other options it has offered to settle the claim and pay £100 compensation.

My final decision

For the reasons I have given, it is my final decision that this complaint is upheld. I require Admiral Insurance (Gibraltar) Limited to:

- offer Miss W a cash settlement of £3,352.40, in addition to the other options it has offered to settle the claim.
- pay £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 12 February 2024.

Louise O'Sullivan
Ombudsman