

The complaint

Mrs B complains Admiral Insurance (Gibraltar) Limited settled her contents insurance claim unfairly.

Mr B and Mrs B are joint policyholders, but as the claim is Mrs B's I've only referred to her in this decision.

What happened

In June 2023 Mrs B made a claim on her Admiral home insurance policy. She had lost a bracelet. The claim was accepted. However, Admiral said the bracelet had been underinsured. Mrs B had, when renewing the policy, listed the item as having value of £4,500. Admiral said the true value was £8,850. As a result of the underinsurance it offered a retail voucher for £3,346 or a cash settlement at £2,610.

Mrs B wasn't satisfied so complained to Admiral. She could source a replacement for £4,150 but would be required to make up the difference if she took Admiral's offer. In response Admiral said Mrs B had failed to keep the value of the item updated. It explained the settlements offered had been calculated in line with the policy terms.

Mrs B wasn't satisfied so came to this service. She denied the bracelet had been underinsured. She said she can source a replacement for £4,150. She said all the options offered by AXA would result in her paying a shortfall of around £1,500 to replace the item. To resolve the complaint she would like AXA to pay up to £4,500 so she can replace the item through a supplier of her choice.

In December 2023 our investigator issued his assessment of the complaint. He applied this service's usual approach to complaints about underinsurance. Having considered the evidence he felt the bracelet was worth around £8,850 at the time of renewal. He said Mrs B's value of £4,500, for the policy renewal, was unreasonable.

The Investigator said Mrs B had paid 98% of the premium that would have been due had she given a reasonable value at renewal. So he recommended the settlement be recalculated to reflect 98% of the claim value – subject to the policy limit, excess and appropriate deduction should Mrs B request cash rather than a voucher. Finally he felt Admiral should pay £100 compensation.

Mrs B was broadly satisfied with that outcome – but concerned a voucher settlement might be unfair. As Admiral didn't respond the complaint was passed to me to decide.

I issued a provisional decision. As its reasoning forms part of this final decision I've copied it in below. In it I explained why I intended to require Admiral to cash settle the claim at £3,767 and pay Mrs B £100 compensation.

I also invited both to provide any further comments or evidence they would like me to consider before issuing this final decision. Admiral accepted the findings of the provisional decision. It didn't provide anything further for me to consider. Mrs B felt my proposal

achieved a reasonable settlement. But she felt it would be fairer to settle at 98% of the policy limit, rather than the, lower, cost of a replacement bracelet.

what I've provisionally 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. To consider if Admiral's settlement offer is fair, I've considered various information and evidence. That includes the policy documentation, valuations and this service's usual approach to underinsurance.

The bracelet is listed as a 'specified item' in Mrs B's policy 2023 schedule. Each of these items has a noted value. The schedule asked Mrs B to check the value of each item, explaining Admiral doesn't automatically increase them with inflation.

I'm satisfied Mrs B provided an unreasonable answer on the policy schedule by listing the value as £4,500. She's provided a valuation from 2013 for that amount. Admiral's supplier valued it in the summer of 2023, based on photos and descriptions, at £8,850. I note Mrs B says she can source a replacement for £4,150. However, I think it's likely the value did increase in 10 years. I find Admiral's evidence most persuasive – and most likely to reflect a fair updated value.

So Mrs B didn't, when requested at the renewal, update the valuation – despite it being 10 years old. The value listed was significantly lower than Admiral's contemporary valuation. So I'm satisfied she gave an unreasonable value.

Mrs B's policy terms say Admiral may reduce claim settlements proportionately to reflect the premium paid. It provides an example – where a mistake by a policyholder resulted in only 75% of the true premium being paid it wouldn't pay any more than 75% of a claim. That would be in line with what this service usually provides for a fair outcome in this type of situation.

Admiral may have applied that policy term to calculate its voucher settlement of £3,346 (or cash at £2,600). However, it doesn't seem to have provided a clear calculation or explanation of how the figure was arrived at. It seems to expect this service to decipher and piece together its notes and codes. I'm not fulfilling that role for Admiral.

Its notes do explain its supplier could replace the item for £8,850. They also include other various figures and abbreviations – but importantly there doesn't appear to be a reference to the settlement offer being linked to Mrs B having only paid a calculated proportion of the true premium. Admiral's settlement may be reasonable – but unfortunately as it hasn't explained it, I can't find it to be.

Our Investigator, considering information Admiral provided, felt Mrs B had paid 98% of the true premium – so the claim should be settled on that basis. He said that should be subject to the policy limit, excess and appropriate deductions if Mrs B requests a cash settlement.

Admiral hasn't responded to dispute the Investigator's calculation. I've considered the same premium information. 98% appears to be a fair reflection. So I'm persuaded Mrs B paid 98% of what the premium would have been had she given a reasonable answer on the schedule.

The policy limit for the item, as found in the terms, is the listed value of £4,500. Mrs B's provided a quote for a replacement – costing £4,150. Settlement of that amount at 98% is £4,067. The policy has a £300 excess. It's fair to deduct that. So I intend to require a settlement of £3,767.

However, I don't feel it would be fair, in the circumstances, to settle the claim through vouchers. The item, as far as I'm aware, requires a custom-made replacement. Her supplier, who provided the £4,150 quote for a custom replacement, has provided an email stating it receives 25% less for vouchers than the face value. It says Mrs B would be required to pay that shortfall. So a voucher settlement would effectively be a contribution of £2,825 towards a replacement.

I don't feel that would be a fair outcome for Mrs B. I accept she didn't provide a reasonable value for the item and that some of the shortfall would be from the excess. But considering she paid 98% of the true premium I feel a voucher settlement would leave her excessively short of funds for a reasonable replacement.

The policy terms allow Admiral to pay in vouchers. But I don't accept it's a fair way to settle the claim if it doesn't provide for a reasonable replacement (or as in this case very close to one). So I intend to require Admiral to cash settle the claim at £3,767. That factors in contributions from Mrs B to cover the shortfall in premium and the policy excess.

I note there's a tension between Mrs B's replacement quote and what I've accepted as a reasonable current value. I can't explain how she can source a replacement at a cost so much lower. But my key concern is finding a fair outcome and I feel my proposal provides one for Mrs B and Admiral.

I don't intend to require Admiral to apply simple interest on any unpaid amount. The settlement, if paid earlier, would have been used to replace the item. So I can't say Mrs B has been unfairly unable to benefit, through earning interest as an example, from those funds. Instead she's, because of Admiral's unfair settlement proposal, been without the use of a replacement bracelet. So to recognise the distress and inconvenience caused by that I intend to require Admiral to pay her £100 compensation.

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.

Mrs B said the quote, at £4,150, for a replacement bracelet has expired. She added she hopes and expects to be able to obtain a replacement for close to that amount – but notes as it's a bespoke item the price is unpredictable. So she requested that, as I consider the true value to be higher than the policy limit and I'm not awarding interest, the settlement be based on 98% of the policy limit.

I've considered Mrs B's request. However, I'm not going to amend the claim settlement. I still consider the fairest outcome is basing the settlement on the cost of replacing the item. She hasn't provided anything to support the replacement price having expired. Neither has she provided an updated price. So I've nothing to confirm the difference in price.

I accept it's possible Mrs B could provide that evidence. However, that would inevitably delay resolution of the complaint. And as she says an updated price is likely to be close to the

original, any amended settlement is unlikely to be significantly different to that proposed in my provisional decision.

Considering that, and the intention of this service to be a quick and informal service, I'm going to continue with the settlement proposed in my provisional decision. It provides a fair outcome based on the available evidence.

My final decision

For the reasons given above, I require Admiral Insurance (Gibraltar) Limited to settle Mrs B's claim at £3,767 and pay her £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 19 March 2024.

Daniel Martin
Ombudsman