

The complaint

Mr and Mrs M complain that Lloyds Bank General Insurance Limited didn't settle their home insurance claim, for a pair of earrings, fairly.

What happened

Mrs M's earrings were lost whilst on holiday, so she made a claim on their home insurance policy for 'Personal belongings away from the home'. Mrs M said the earrings were worth a total of £5,500.

Lloyds assessed the claim and offered a cash settlement up to the policy limit of £3,000. The reason being that Mr and Mrs M hadn't declared the earrings on the policy. The limit is called the 'single article limit' and Lloyds classes a pair of earrings as a set and so said £3,000 was the most they would offer – unless they had previously agreed different terms.

Mr and Mrs M said that was unfair. They feel applying a 'single article limit' isn't right, since there were two earrings. Lloyds maintained their offer was fair and so the case was brought to our service.

An investigator here looked into the matter. He explained that in cases of this nature we would agree an insurer can treat a pair of earrings as one item, much like a pair of shoes. Mr and Mrs M disagreed, they maintain they should be treated individually, and they have therefore lost out to the tune of £2,500.

Agreement couldn't be reached, so the case was passed to me. I initially sent an email to Mr and Mrs M, to say why I would be unlikely to change the position (my reasoning will be copied below).

Mr and Mrs M still didn't accept the outcome and asked me to make a formal decision. They said this is not a matter of semantics, but a question of legal contract – pointing to the policy wording not stating that a pair of earrings will be considered as one item. And therefore, they are unfair in applying the single article limit.

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.

I'm sorry to disappoint Mr and Mrs M, but I maintain what I said to them in my previous email, which was:

I've reviewed your case and can see that it relates to the loss of a pair of earrings. You claimed on your Lloyds insurance and they said you ought to have added the earrings as a specified item on your policy, because their value was greater than the single article limit.

You disagreed, because you think they ought to be treated as individual items. The investigator explained that we consider earrings (when bought as a pair) to be a set. That means their value is the total value of the two together. We often liken this to a pair of shoes

or curtains. You wouldn't ordinarily buy just one of those, so their individual value isn't of great importance when it comes to buying or replacing them. I do accept that you can buy individual earrings, but my understanding is that wasn't the case here. Therefore it isn't unreasonable to consider the purchase price of the set when considering what their collective value is.

I appreciate why you may consider that means applying the policy limit to be unfair. I also appreciate some consumers may not be aware of the approach taken in your case but we consider it to be fair and reasonable. If someone buys a pair of earrings then it is reasonable to say the purchase price/value is of the pair and if the insurer wants to treat them that way it is fair.

If someone was asked how much their pair of £5,500 earrings cost you wouldn't ordinarily expect them to give the answer £2,750 each.

However, if someone bought two earrings that looked the same, separately, then it could be reasonable to say they ought to be viewed independently. But that also means if one was lost we'd only expect one to be replaced. We wouldn't expect the consumer to be furnished with a new pair. Likewise, if both were lost - and if the consumer could show they were bought as individual items, even if bought together - we might be able to go as far as saying they should be treated as individual items. But, as I said, that doesn't appear to be the case here.

I know this may not be commonly known as an industry approach to matching items, but if someone pays more than the single article limit for a set or pair of items then it isn't unreasonable to expect them to at least check with their insurer whether or not they need to be specified on the insurance policy - because of how much they cost or are worth collectively. And it seems you were generally aware of the need to specify items over a certain value as you had done so with others.

Turning to Mr and Mrs M's response to the above, I'll address what the policy says. Firstly, under the 'Away from home cover' section (note, the words in bold type are defined but none of the definitions are unusual or especially relevant in this case):

*"If **you** have chosen to cover a **specified item** away from **your home**, this item will be covered under this section up to the amount **you** have specified it for."*

The Insurance Product Information Document says:

*"Certain limits may apply to your policy, for example:
- The maximum amount we will pay for each claim and/or item"*

And under the 'Personal belongings away from the home cover' section it says:

"For any personal belonging that you have taken away from the home we will not pay more than £3,000, unless you have named the item under Specified items cover."

In turn, the Specified Items cover says:

"Specified items are personal belongings that you take away from the home and high risk items in the home worth more than £3,000 each. Personal belongings are items that you or your family wear or carry in everyday life, such as a mobile phone or laptop. High risk items are items that could be attractive to thieves like televisions, laptops, mobile phones and jewellery."

*If you have any items like this, they need to be listed on your policy individually. You'll need to call us on **0345 300 5177** if you have any of these items that are not already listed below."*

There were two high risk items listed below that statement, a diamond ring and a watch – but not the earrings. That's the reason I said earlier that Mr and Mrs M were aware of the requirement to specify expensive items.

So, I think the policy is clear in terms of limits and specified items. It therefore comes back to whether or not a pair of earrings should be considered as individual items or a pair/set and therefore apply the single article limit. In my view it remains reasonable to treat them as such because, as I understand it, they were bought as a pair. And when considering the cost, or value, of a pair of earrings most people wouldn't stop and think to break it down to how much each one was individually worth. Much like the example with shoes or curtains.

And because they cost more than £3,000 Lloyds were reasonable, for reasons explained earlier, to expect Mr and Mrs M to specify them if they wanted cover for the full replacement cost. As they did not, it follows that it was reasonable to apply the £3,000 limit set out in the policy.

That isn't to say I don't appreciate why Mr and Mrs M find this to be unfair and disappointing, but Lloyds applied the policy terms and they have done so fairly in the circumstances.

I also note Mr and Mrs M's argument about not expecting Lloyds to pay more than for just one earring if it was just one that had been lost. But the policy does address this eventuality – not that it's applicable to this claim – and if something is part of a matching set they will pay a 50% contribution toward the cost of replacing the undamaged (and I think that can be fairly read as unlost, to apply to Mr and Mrs M's point), so the possibility of an insurer being liable for a loss which hasn't happened is, at least partially, possible under the cover which they offer.

My final decision

It is my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 20 March 2024.

Will Weston
Ombudsman