

The complaint

Mr B has complained that Lloyds Bank General Insurance Limited (Lloyds) unfairly declined a claim under a home insurance policy.

What happened

Mr B specified his wife's engagement ring on the policy. He later contacted Lloyds to make a claim for the ring being lost in his home. Lloyds considered the claim and declined it. It said a lost item was something that couldn't be recovered. But Mr B didn't know what had happened to the ring and it might turn up again.

When Mr B complained, Lloyds maintained its decision to decline the claim. So, Mr B complained to this service. Our investigator upheld the complaint. She said it was an unexplained disappearance, which it was reasonable to conclude was the definition of lost. She said Lloyds should settle the claim based on the terms of the policy and pay £100 compensation.

As Lloyds 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.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they must not turn down claims unreasonably. It's for a policyholder to show a claim has been caused by an insured event. Lloyds has said Mr B hasn't done so for this claim. So, I've thought about this.

It's my understanding that when Mr B reported the claim, he said his wife had the ring on in the house on the Friday. She then lost it over the weekend. She hadn't been anywhere, as they had been home all weekend. Mr B said he and his wife had searched the house and been unable to find the ring.

When Lloyds declined the claim, it told Mr B:

"I'm sorry to let you know the 'loss' of your ring isn't covered under your policy. This is because it has gone missing within the boundaries of the home. Our policy wording states that this is not classed as 'Accidental Loss' and is classed as 'Unexplained Disappearance'."

I think this unfairly explains the terms and conditions of the policy. The Specified Item part of the policy explained it covered items listed on the policy schedule that were lost, stolen or damaged. The ring was listed as a specified item on the schedule and said it was covered while in the home. So, there was cover for a loss within the home.

Although Lloyds has said the policy states it doesn't cover an unexplained disappearance, I couldn't find any wording that said that. It also didn't define "*lost*". Lloyds has said that when it says "*lost*" it means an item that can't be recovered. Lloyds also told this service that it doesn't provide cover for an "*unexplained disappearance or misplaced items*", as it considered these were likely to be recovered. Lloyds referred to another ombudsman's decision and I'm aware of what that said and have thought about it. However, as Lloyds has acknowledged, each complaint is considered based on its individual circumstances.

Lloyds also told this service it can't list every exclusion. I'm aware of that, although I also note some insurers do explicitly exclude "*unexplained disappearances*". However, I think the lack of a definition of "*lost*" in the policy makes it ambiguous and unclear. Based on the normal meaning of the term lost, I think it's reasonable to say it included an unexplained disappearance.

Lloyds has also said an unexplained disappearance in the home was "*likely*" to be recovered later. But looking at the circumstances of this complaint, Mr B has said he searched his home for two days and was unable to find the ring. I'm also aware Mr B initially said he thought the ring was in the house, but later said it could accidentally have ended up in the bin or down the toilet or sink. While I think it's fair for an insurer to put weight on what someone said when they first reported a claim, I don't think it means information can simply be dismissed because it was provided later. Mr B said the ring has been lost in his home and he had thoroughly searched for it. I don't think it's inconsistent with that to give examples of why it was unlikely to be recoverable. In my view, I don't think it's fair for Lloyds to say Mr B is likely to find the ring at a later point.

Based on everything I've seen, I uphold this complaint. I think Lloyds has declined the claim based on unclear policy wording and that it was unfair to do so. In my view, I think it's fair to say Mr B has described a loss that was covered by the policy. So, I think Lloyds needs to settle the claim based on the remaining terms and conditions of the policy. I also think Mr B has been caused inconvenience by the way Lloyds has dealt with the claim. So, I think Lloyds should also pay £100 compensation to reflect this.

Putting things right

Lloyds should settle the claim based on the remaining terms and conditions of the policy 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 Lloyds Bank General Insurance Limited to:

- Settle the claim based on the remaining terms and conditions of the policy.
- Pay £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 March 2024.

Louise O'Sullivan
Ombudsman