

The complaint

Ms B complains about the service she received from Astrenska Insurance Limited (Astrenska) under a protection policy for her fridge freezer.

References to Astrenska include their agents who administer policies and carry out services under policies.

What happened

The following is a summary of what happened, as the detailed sequence of events is well known to Ms B and Astrenska.

Ms B had a protection policy covering breakdown and repairs to her fridge freezer. In May 2023 there was an issue with the fridge not cooling, so Astrenska sent an engineer to inspect it. They diagnosed the issue (thermostat and motherboard) but parts needed to be ordered. The engineer returned later in May to fit the parts. But this didn't fix the problem. The engineer returned and diagnosed a different issue (compressor and de-gas). Ms B was told the parts would take a month to arrive.

However, when a different engineer arrived at the start of July, they said there wasn't an issue with the compressor, which they tested and said was working normally. But a valve needed replacing. An engineer returned to fit the new valve and re-gas the fridge freezer, saying it would need a couple of days to work normally. However, it stopped working again.

Having made several attempts to repair the fridge freezer, Astrenska then said they considered the fridge freezer beyond economical repair. They initially made a settlement offer of £900 (the maximum cover level selected by Ms B when she took out the policy) but deducted the £538 of the cost of the repairs carried out, leaving a net settlement of £362. Ms B said it would cost her £900 to replace her fridge freezer with an equivalent model. She'd also lost frozen food when the fridge freezer stopped working.

Unhappy at what happened and the settlement offer, Ms B complained to Astrenska. In their final response, they apologised for the delays experienced by Ms B, acknowledging delays in providing updates to Ms B and waits for parts. They said that different diagnoses of the issues could happen, leading to inconvenience. They said they would offer Ms B a new fridge freezer of the same or similar make and specification, but within the maximum sum under the policy (£900). After deducting the £538 repair costs incurred, Astrenska accepted the balance of £362 wasn't sufficient to enable them to find a suitable replacement. But in light of the delays and inconvenience suffered by Ms B, they offered £200 compensation to cover the additional amount needed for a replacement.

Ms B then complained to this service. She didn't think it fair Astrenska offered £538 to replace her fridge freezer, when she thought it would cost her £900 to replace. She wanted a cash settlement of equivalent value, as well as compensation for the time and trouble it had taken her to pursue her concerns, as well as the frozen food she'd lost.

During the course of investigating the complaint, our investigator issued more than one view, having considered the issues and additional evidence, information and representations

made by Ms B and Astrenska. This included a revised settlement offer from Astrenska (£434.69 for the market value of Ms B's fridge freezer, meaning an additional £72.69 to the £362 they'd paid, plus the £200 compensation previously offered).

I've considered each investigator view, which Ms B and Astrenska have seen and responded to. So, the following view is the most recent one issued by our investigator before the complaint was passed to me to review.

Our investigator thought Astrenska's revised settlement offer was fair and in line with the terms and conditions of the policy. The policy terms provided for Astrenska, at their discretion where an appliance couldn't be repaired, to replace it with a new or reconditioned appliance of similar specification or offer a cash settlement for the market value of the appliance. Ms B had declined Astrenska's offer to supply a replacement appliance of similar specification (but different make) so they'd offered a cash settlement for the market value of Ms B's fridge freezer, reflecting its age at the time it was deemed beyond economic repair. The investigator also thought the £200 compensation offered by Astrenska was fair.

Astrenska Ms B disagreed with the investigator's view. She didn't agree with the calculation of market value for her appliance, providing an alternative calculator to support her view. She also said the policy didn't make any mention of depreciation, which she thought was a way of settling the claim at lower cost. She thought the value of her appliance in the current market was £879 and provided links to information showing the value of a replacement fridge freezer.

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'd first want to acknowledge what Ms B has told us about her circumstances, including her health conditions. I've also seen the letter from her doctor which describes her health conditions. I recognise these will affect Ms B significantly and I've borne this in mind when, as is my role here, deciding whether Astrenska have acted fairly towards Ms B.

Looking at the complaint, I think there are two main issues. First, the settlement Astrenska have offered following their decision to deem Ms B's fridge freezer as beyond economical repair, having unsuccessfully tried to repair it on several occasions. Astrenska say they've offered Ms B a cash settlement – as an alternative to a replacement appliance that she rejected – based on the market value of the appliance, based on its age, in line with the policy terms and conditions in such situations. Ms B doesn't agree the offer is fair.

The second issue is the time it took for Astrenska attempting to repair Ms B's fridge freezer, before deeming it beyond economic repair. Ms B says she suffered inconvenience from the delays and unsuccessful attempts to repair the appliance. Astrenska acknowledge the delays and inconvenience caused, offering £200 in compensation.

One further issue raised by Ms B was the loss of frozen food, spoiled when her appliance stopped working. She would like compensating for the loss.

On the first issue, I've considered Astrenska's revised cash settlement, based on what they say is the market value of the appliance at the time of its loss. Astrenska first offered a replacement fridge freezer of what they considered to be equivalent specification – but not the same make, as they couldn't source the make through their supplier.

The policy terms and conditions provide for the following where an appliance is deemed beyond economic repair:

“In the event that your appliance(s) cannot be repaired or is beyond economic repair we will, at our discretion, replace your appliance(s) with a new or reconditioned appliance(s) of the same or similar make and specification, which may not be compatible with any specialist equipment you may have, or offer you a cash settlement in line with the current market value of your appliance subject to the maximum limit specified in your certificate schedule.”

I think this term is clear, in that it is Astrenska's decision about how to replace the appliance. From what I've seen, they first offered a replacement of similar specification, but a different make. Ms B declined the offer of a replacement, in which case I think it was reasonable and in line with the policy wording for Astrenska to then offer a cash settlement as an alternative.

In that situation, the above wording makes it clear that a cash settlement will be based on the 'current market value' of the appliance. The term 'current market value' can reasonably be taken to mean the value of the appliance reflecting its age and/or what it would be likely to cost to purchase as a used or refurbished appliance. It isn't the new, replacement cost of the appliance.

Ms B says the policy doesn't make mention of depreciation, so in applying the concept to estimate a market value, Astrenska are unfairly offering a lower settlement. I don't agree. The concept of depreciation is generally recognised as a means of estimating the fall in value of an item over its life, reflecting the fact that an item (a fridge freezer in this case) will be worth less over time. This fall in value is expected and reflected in what an item would be worth given its age.

Estimating market value is necessarily an inexact process and can be carried out in different ways. As well as applying depreciation, reference can be made for similar items being offered for sale. In this case, I've seen evidence from a trading website of a similar fridge freezer (make, model and age) for a very similar amount to the settlement figure offered by Astrenska. So, I've concluded use of depreciation is a reasonable method to use in calculating a market value and cash settlement.

Looking at how Astrenska calculated their offer, it's based on a purchase price of £849 for the fridge freezer when new. Taking the age of the fridge freezer as over three years old, they applied an annual rate of depreciation (loss of value) of 20% to arrive at a depreciated value of £434.69. Re-working the calculation indicates depreciation has been determined on a reducing balance basis, which gives a higher residual value than what would be an alternative straight line basis. I think this is a fair and reasonable basis for the calculation.

In applying a rate of 20%, Astrenska refer to publicly available information on the depreciation rate for domestic appliances, which I've looked at and consider to be reasonable – the information also suggests a three-year old fridge freezer would be worth 35% of its purchase price, which would suggest a lower figure.

Ms B has provided information about an alternative calculator for depreciation, but looking at it, the calculation indicates the value of a four-year old item – not a fridge freezer – would be some 73% of the purchase price. Which is significantly more than the residual figure of 35% referred to above. Given the source of Astrenska's information is a major UK retailer of white goods – Ms B's source appears to be from overseas – then I think it is a more reliable indicator of depreciation (market value) than Ms B's source.

Taking all these points into consideration, I've concluded Astrenska's cash settlement offer is fair and reasonable in the circumstances and in line with the policy terms and conditions.

If they haven't paid the additional £72.69 settlement, Astrenska should now pay the sum to Ms B.

Having reached this conclusion, I've then considered whether Astrenska have acted fairly and reasonably in apologising offering Ms B £200 compensation. In doing so, they've apologised for the delays experienced by Ms B, acknowledging delays in providing updates to Ms B and waits for parts. Looking at the sequence of events, I think Ms B did suffer distress and inconvenience from the successive, unsuccessful attempts to repair her fridge freezer before it was deemed beyond economic repair. This extended over several weeks in total, adding to the inconvenience.

I've thought about the circumstances of the case, including what Ms B's doctor has said about her health conditions. I think they would have added to the impact on Ms B and I've taken this into account, together with this the guidelines published by this Service on awards for distress and inconvenience, in concluding Astrenska's offer of compensation is fair and reasonable in the circumstances.

If they haven't paid the sum, I think Astrenska should now pay Ms B £200 for distress and inconvenience.

On the specific issue of compensation for the loss of her frozen food when her fridge freezer broke down, the policy is designed to cover breakdown and damage of the appliance(s) covered under the policy, not items associated with the appliance. Also, the terms and conditions include a schedule of *General Exclusions* which mean certain things aren't covered, one of which is:

"9. Any other costs that are indirectly caused by the event which led to your claim, unless specifically stated in this policy."

While this exclusion doesn't specifically mention frozen food, I think it's reasonable to interpret it to include the loss of frozen food following a breakdown.

My final decision

For the reasons set out above, my final decision is that I require Astrenska Insurance Limited to:

- Pay Ms B the additional £72.69 settlement (if they haven't already done so).
- Pay Ms B £200 for distress and inconvenience (if they haven't already done so).

Astrenska Insurance Limited must pay the additional settlement and compensation within 28 days of the date on which we tell them Ms B accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 12 March 2024.

Paul King
Ombudsman