

The complaint

Mr and Mrs T complaint that Arch Insurance (UK) Limited hasn't paid the full value for contents claimed on their commercial property insurance policy.

What happened

Mr and Mrs T own a property which is occupied by tenants. They made a claim on their policy after the property suffered flood damage following an escape of water. The claim included the drying out and repair to the building and a claim for damaged contents. This complaint concerns the claim for damaged contents.

After assessing the claim, Arch Insurance made an offer which was less than the amount claimed. Mr and Mrs T didn't accept the offer and made a complaint.

In its final response to the complaint, Arch Insurance said it thought the appropriate value for the contents covered by the policy would be £5,000 but made an offer to pay £11,978.35, subject to Mr and Mrs T providing some further information.

The full value of the contents claimed for is around £23,000 and Mr and Mrs T say the full amount should be paid.

When Mr and Mrs T referred the complaint to this Service our investigator referred to the definition of contents in the policy and said the decision by Arch Insurance not to pay for all of the contents was in line with that.

Mr and Mrs T have requested an ombudsman's decision. They have been represented in making the claim and in pursuing the complaint by a loss assessor, who says the offer from Arch Insurance is too low.

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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.

The policy provides cover for contents. It defines contents as follows:

Fixtures and fittings (not forming a permanent part of the structure) furniture furnishings utensils and domestic appliances belonging to You or for which you are responsible excluding

- 1. Trade stock and materials*
- 2. jewellery, watches, furs, precious metals, precious stones, or articles made from them*

3. *curios, works of art, antiques, sculptures, or rare books,*
4. *property more specifically insured elsewhere*

This is a commercial policy for a property that Mr and Mrs T own but don't live in; it's occupied by tenants. So many of the contents will belong to those tenants. This definition limits cover to fixtures and fittings, domestic appliances and utensils which Mr and Mrs T own and provide with the property. It doesn't cover anything else, including anything that belongs to the tenants.

In response to the investigator's view, Mr and Mrs T's loss assessor has said "*contents are contents*". He doesn't accept that some of the items claimed for are not covered. But where contents are defined in the policy terms, it's fair for Arch Insurance to apply that definition, which limits the contents as set out above.

The policy doesn't define fixtures, fittings or domestic appliance. Taking their ordinary meaning it would be fair to consider those as follows:

- Fixtures – pieces of furniture or equipment, for example baths and sinks, which are fixed inside a property.
- Fittings – pieces of domestic equipment which are fixed to something, but can be removed.
- Domestic appliance – a machine used for household tasks, for example a washing machine or refrigerator.

Looking at the list of items claimed for, I'm satisfied Arch Insurance has agreed to cover those items which meet these definitions, while those that have not been accepted are personal items that fall outside of these definitions. Its decision not to cover all of the items is fair.

Arch Insurance has provided a list of the items it's willing to pay for. Some of those items are valued at more than £100. As Mr and Mrs T didn't have receipts for everything, Arch Insurance said if they provided a supplier estimate or external internet links from an independent source for any items over £100 it would then issue the settlement. I think that's reasonable.

So, providing Mr and Mrs T provide the estimates for any items over £100, Arch Insurance should pay the settlement offered.

My final decision

Arch Insurance (UK) Limited has already made an offer to pay £11,978.35 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that – subject to Mr and Mrs T providing the evidence requested for any items over £100 – Arch Insurance (UK) Limited should pay the settlement it has offered of £11,978.35.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Mrs T to accept or reject my decision before 1 April 2024.

Peter Whiteley
Ombudsman