

The complaint

A company, which I'll refer to as O, complains that HDI Global Specialty SE (HDI) has not made a fair offer for the settlement of its claim.

For ease of reading, I'll refer to all actions and comments of O's representative as being those of O.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

O took out a business insurance policy with HDI. In September 2023, a stair climber was stolen from O's vehicle. O made a claim for the loss under its policy.

HDI accepted O's claim and asked for further evidence to demonstrate the value of its claim. As per HDI's request, O provided an invoice showing what it paid for the stolen stair climber. Because the stair climber was purchased a couple of years prior to the loss, HDI then asked O to provide information on how much it would cost to replace the stair climber at the time of the claim. O therefore proceeded to obtain a quote, and this was sent to HDI.

The quote sent to HDI for the new stair climber was for £9,490 excluding VAT. HDI made a 20% deduction for wear and tear, and a further £500 deduction for the policy excess. HDI offered O £7,092 in settlement of its claim.

O was dissatisfied with HDI's offer and said that the deduction for wear and tear was unfair. O said it was unable to replace the stair climber in a used condition because there weren't any available on the market. It therefore felt that HDI should honour the quote it received for a new stair climber. O said the policy provided for a replacement and the quote it had sent to HDI was the cost it would incur in replacing it.

HDI said their offer was fair because the policy intended to put O in the same financial position it would have been in immediately before the loss occurred. HDI therefore explained that it wasn't the intention of the policy to cover O for a new-for-old replacement; its purpose was to pay O the value of a used, second-hand item. As such, they believed that the 20% deduction they made for wear and tear was reasonable.

O remained dissatisfied with HDI's offer. It also complained that HDI caused delays in handling the claim and said its process was inefficient because they asked O for different information several times.

Our Investigator thought O's complaint should be upheld. From the evidence he had seen, he was satisfied that O was unable to replace the stair climber for the amount offered by HDI and therefore HDI should make an offer in line with the quote O received to replace the item.

HDI didn't agree with our Investigator and therefore the complaint was referred to me to consider. In summary, they said the item lost would have suffered wear and tear through

normal usage and the settlement offered represents a fair and reasonable estimation of the item in this condition. While HDI agree that the policy says they will replace the item, they disagree with the interpretation of the term. HDI argue that by stating 'replace' in the policy, it is not usual interpretation for this to mean O will receive a physical item. They therefore consider their offer to be fair and said that it represents a reasonable estimation of the value of the item based on age and usage.

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've decided to uphold this complaint. I'll explain why.

Both parties have provided detailed submissions to support their position. I want to assure them I've read and carefully considered everything they've said, but I won't comment on everything.

The crux of this complaint centres on HDI's decision to settle the claim on the basis of an estimated claim value at the time of loss. This included making a 20% deduction for wear and tear from the quote O received to replace the stair climber.

The policy term most relevant to O's claim settlement states:

"Damage to contents

3. In the event of covered Damage to Contents which have been:

a. entirely lost or destroyed, We will pay the cost of replacing the item..."

Damage is defined as:

"Physical loss, damage or destruction."

HDI decided to cash settle the claim, and on this basis, I'm satisfied that in line with the above policy term, HDI is liable for the cost of replacing the stair climber.

O said the offer made by HDI doesn't cover the cost of replacing the item. O provided evidence of the searches it carried out to purchase a second-hand stair climber of the exact same specification to the one it lost. From the information I've seen, I'm satisfied that a stair climber of the same specification isn't available to purchase in a used condition.

Our Investigator also asked HDI to provide evidence to demonstrate that a stair climber of the same specification was available to purchase for the amount they had offered O. HDI didn't provide any information in support of this. I haven't seen any evidence that O is able to replace the lost stair climber for the amount offered by HDI. I'm therefore not persuaded that HDI's offer to replace the stair climber is fair and reasonable under the circumstances of this case.

Whilst I note the policy does not say that HDI is required to provide O with a new stair climber, it is required to provide O with the cost of replacing the stair climber that it had. If HDI had been able to demonstrate that a used stair climber was available, I think the cost of replacing O's lost stair climber would be the cost of acquiring this used stair climber. However, in circumstances where a used item is not available, the cost of replacing the lost item will be the cost of acquiring a new one. Providing a settlement lower in value than the cost of acquiring a replacement is not "paying the cost of replacing the item".

Based on what I've said above, and the evidence presented by O, I'm satisfied that the cost of replacing the stair climber is in line with the quote O has provided for £9,490 excluding VAT. It follows, that HDI should cover the cost of replacing the stair climber in line with O's quote.

I've also considered what O said about the claims process being delayed. I don't think it was helpful for HDI to request evidence of what O paid for the lost item and then to later decide this wasn't the information they required to value O's claim. I take O's point that the information required could have been requested from the outset. However, while I think this may have caused O some inconvenience in obtaining the relevant information and sending it to HDI, overall, I'm satisfied that there weren't any unreasonable delays at this stage.

Putting things right

The fair and reasonable outcome for this complaint is for HDI to pay O £9,490, less the £500 policy excess, for the cost of replacing the stair climber.

My final decision

My final decision is that I uphold this complaint and require HDI Global Specialty SE to do as set out in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 22 April 2024.

Ankita Patel
Ombudsman