

The complaint

Mrs V has complained about the amount Watford Insurance Company Europe Limited offered to settle a claim she made on her contents insurance policy.

Reference to Watford includes its agents and representatives.

What happened

The circumstances aren't in dispute, so I'll summarise what happened.

- Mrs V took out an insurance policy through a broker, who I'll call L, to cover the buildings and contents of her static caravan holiday home. In 2021, the policy became underwritten by Watford.
- Mrs V made a claim for damage following a storm. Watford asked her to estimate the values of items within the holiday home, which she did. Watford said she had £1,000 of contents cover, but her contents were worth much more than that. It said she was around 16.5% insured, so it could only offer her around £165 to settle the claim.
- Mrs V complained about this. She said some of the items Watford had classed as contents should be considered as part of the buildings, as they were present and fixed into her caravan when she bought it. She also said Watford hadn't covered her site fees and lost bookings during the time the caravan couldn't be used.
- Watford responded to the complaint and maintained its position.
- Our investigator thought the complaint should be upheld. He said Watford hadn't acted fairly when reducing the claim value because it hadn't asked L to find out the replacement cost of the contents. But he didn't think park fees or lost bookings were covered by the policy. He asked Watford to settle the contents claim without applying a proportionate reduction, up to the £1,000 policy limit.
- Mrs V made a number of points in response. I'll summarise the relevant ones:
 - Most of the items Watford asked her to value should be considered buildings, rather than contents, as they were integrated into the caravan when she bought it. And as she had £60,000 of buildings cover, it was wrong for Watford to say she was underinsured.
 - Her claim was for around £1,700, which reflected the genuine items of contents, such as crockery, cutlery, kettle etc.
 - Watford should have checked with her which items were contents and which were buildings before saying she was underinsured.
 - It had taken Watford a long time to deal with the claim and the process had been distressing. So she should be reimbursed what she paid for the policy.
- Our investigator wasn't persuaded to change his mind. And Watford didn't reply. So the complaint has been passed to me.

My provisional decision

I recently issued a provisional decision in which I said:

- The scope of this complaint is the matters which Mrs V originally complained to Watford about. Namely, its decision to reduce the contents claim settlement and not to pay for park fees or lost bookings.
- If Mrs V is unhappy with other aspects of the claim, she's entitled to make a complaint about them. For example, she's mentioned a claim for her boiler which was declined, and the associated costs of engineer's reports which she wasn't reimbursed. And a claim for her freezer, treated as buildings, which was declined.
- This complaint is solely against Watford, not L. So I can't hold against Watford anything L was responsible for. Mrs V is entitled to make a separate complaint against L if she wishes.
- There's no dispute the damage is covered by the policy in principle. The question is whether it was fair for Watford to reduce the claim settlement because it says Mrs V was underinsured for contents.
- The policy contains a number of definitions that are relevant here:
 - 'Contents' means "household goods and personal property within the buildings" not including "any part of the buildings ... valuables ... personal possessions".
 - 'Buildings' means "the structure of the static caravan including its permanent fixtures and fittings".
 - 'Valuables' means, amongst other things, jewellery.
 - 'Personal possessions' means "clothing and personal articles designed to be worn on or about the person".
- Mrs V's policy had a sum insured of £1,000 for contents. That's the maximum Watford will pay for a contents claim. Based on the definitions, contents is broadly any household item that doesn't fall into one of the other three categories. It's not relevant whether the item was in the caravan when Mrs V bought it.
- The policy also had a £60,000 sum insured for buildings. But there's no cover at all for personal possessions or valuables.
- Watford created a list of items for Mrs V to estimate. Her total estimate came to around £6,000. The list included things which could fall into any of the four categories above. Some were quite clearly not contents. Yet, despite this, Watford made its decision to reduce the contents claim settlement on the basis Mrs V should have insured her contents for £6,000. So I'm not satisfied that was reasonable.
- Watford should have split the list into four – one for each category – to establish how the claim should be settled, including whether there was any underinsurance.
- Mrs V says her contents claim was for around £1,700. Looking at the items and values on her list, and bearing in mind her description of how many items are permanently fixed into the caravan, that seems like a reasonable amount to me.

- That still means Mrs V isn't insured for the full value of her contents. The policy says Watford's liability "will not exceed the proportion that the sum insured bears to the full cost of replacement of your contents". That means Watford has the right to reduce the claim settlement, albeit not by as much as it said it would.
- However, like the investigator, I'm not persuaded it would be fair for Watford to rely on that policy term in this case. I'll explain why.
- The policy schedule says: "*Section 2 – contents ... Sum insured - £1,000*".
- It doesn't say what is meant by the phrase 'sum insured' and doesn't link it to the replacement cost of the contents. The schedule is provided by L, so the way it's worded and any surrounding guidance that L may have given as part of the sale of the policy aren't things I can consider in this complaint against Watford.
- But Watford is responsible for setting out to L what information it should gather in order to setup the policy. Our investigator asked Watford to show what it asked L to gather to see whether this included the replacement cost of the contents. Watford provided a copy of the policy schedule from a previous year, when there was a different underwriter. It didn't provide any further explanation, so it's not clear why it thinks this is relevant or how it shows what the investigator asked for. As a result, it hasn't persuaded me that Watford asked L to gather the right information.
- I'm not satisfied it would be fair for Watford to rely on the policy term which effectively requires the sum insured to be the replacement cost, when there's no evidence it asked L to establish the replacement cost with Mrs V.
- Nonetheless, I think it was clear to Mrs V she had up to £1,000 of contents cover in total. So I don't think it would be fair to expect Watford to pay her more than that.
- To put things right, Watford should settle the contents claim up to the sum insured of £1,000 and bearing in mind the remaining terms and conditions of the policy.
- Watford has chosen to settle the claim by cash payment. But Mrs V has unfairly been without that cash payment amount for a significant period of time. In line with the usual approach of this Service, Watford should add interest to the cash payment, from the time it made an offer to settle the claim. That was 1 September 2022.
- Watford said the policy doesn't cover park fees Mrs V incurred whilst unable to use the caravan. Having checked the policy, I agree there's no cover for this. Mrs V says this cover is common in other similar policies. Watford isn't obliged to offer the same cover as other insurers. And if Mrs V considers she ought to have been sold a policy with this cover, or it should have been highlighted there was no such cover, she can take that up with L, who is responsible for the sale.
- The policy covers loss of bookings in certain circumstances. It says: "*We will pay ... for the loss of hiring charges for bookings accepted prior to damage, but only if a record has been maintained of all hiring, agreed hiring charges and deposits paid*". If Mrs V thinks she has a claim to make in these circumstances, she's entitled to take it up with Watford.
- I can see why Mrs V has been distressed with the way Watford handled the claim. As I set out above, it didn't consider her estimate for the various items in line with its own policy. And, as Mrs V has pointed out, all it needed to do was engage with her about

the nature of the items, and it could quickly and easily have established the true position, then gone on to settle the claim promptly and fairly. Because it didn't do so, I'm satisfied Mrs V was caused some avoidable distress and inconvenience. I consider a compensation payment of £200 is reasonable in the circumstances.

- I know Mrs V has suggested Watford refund her premiums. But I don't think that's the right remedy to the problem. Mrs V has paid a premium in return for the cover provided by the policy. And Watford has accepted a claim under the policy and will go on to make a payment for it. So she's received the core benefit of the policy and, as such, I don't think it would be fair to effectively give her the policy for free.

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.

- Mrs V replied to my provisional decision and made a few points. I think she agrees with my findings about the claim and my proposed award in relation to it.
- But whilst she was grateful her distress and inconvenience had been recognised, she felt £200 didn't accurately reflect the degree of distress she endured due to the way Watford handled her claim.
- I've looked again at the circumstances and thought about the avoidable distress and inconvenience caused by Watford, bearing in mind what Mrs V has said. Having done so, I'm satisfied £200 is an appropriate amount of compensation.
- Mrs V also said she would raise further complaints about the matters outside the scope of this current complaint. She's entitled to do so and, if Watford doesn't resolve them to her satisfaction, she may refer them to this Service.
- Watford also replied to my provisional decision to make a few points. However, they didn't bear a great deal of relevance to the complaint or my findings about it.
- In summary, Watford questioned the length of time it took Mrs V to report the claim, the circumstances that led to the claim, and how the items were damaged. But none of this was in question when Watford answered Mrs V's complaint – at that time, the only matter in dispute was how much Watford would pay for the claim, including whether Mrs V was underinsured for contents. So that's what I considered.
- Watford didn't raise any of these points when it provided its file to this Service for investigation. Nor did it raise them in response to our investigator's view about the complaint. So I'm not persuaded it would be fair to raise them at such a late stage of the complaint process and expect me to consider them.
- And even if I were to consider them, Watford has merely raised a number of questions about the claim. These are questions that Watford itself ought to have answered during its claim and complaint investigation if it thought they were relevant. But it didn't. So I don't think they make any difference to Watford's decision to accept the claim – or my findings about how it should settle the claim.
- Overall, I remain satisfied the findings and proposed award I set out in my provisional decision are a fair and reasonable remedy to this complaint.

My final decision

I uphold this complaint.

I require Watford Insurance Company Europe Limited to:

- Settle the contents claim, subject to the remaining terms and conditions of the policy.
- Pay interest on the contents claim settlement cash payment at 8% simple per year, from 1 September 2022 to the date of settlement*
- Pay £200 compensation.

*If Watford considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs V how much it's taken off. It should also give Mrs V a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V to accept or reject my decision before 17 April 2024.

James Neville
Ombudsman