

The complaint

Mrs G is unhappy with what Bastion Insurance Company Limited did after she made a claim on her mobile phone insurance policy.

What happened

In August 2023 Ms G claimed on her policy for damage to her mobile phone and paid the £150 policy excess. Bastion accepted the claim. But it said Ms G hadn't completed the validation requirements when taking out her policy (or subsequently). It said where that was the case the indemnity limited was reduced to £75. So it would cash settle her claim for that amount. Or if Ms G wanted to withdraw her claim she could do so and it would refund the excess she'd paid. Ms G said she had to pay around £300 to repair her phone. She thought in addition to refunding her excess Bastion should pay at least £150 towards that.

Our investigator thought the restriction on what payment would be made if validation wasn't completed was something which should have been brought to Ms G's attention in the information Bastion was responsible for. She didn't think that had been done. And she didn't think Ms G would have made a claim if she'd known the most she'd be paid was less than her policy excess. She said Bastion should treat Ms G's claim as if it hadn't been made, refund her excess and pay her £50 compensation to recognise the distress and inconvenience it caused her.

Bastion didn't agree. It provided detailed comments for me to consider. In summary it said:

- The validation requirements for a gadget insurance policy were long standing and commonplace across the industry. We hadn't found this or the restrictions on cover where this hadn't been completed to be unfair in other cases.
- Taking into account the relevant rules it didn't think the limitation on what the policy would pay where validation hadn't been completed needed to be included in the Insurance Product Information Document (IPID). It wasn't a main exclusion relating to whether a claim could be made. And the policy wording was clear about this.
- It thought this issue would only impact a small number of policyholders and it wasn't justified to make changes that might affect many others on the basis of information being unclear to a small number. It said there had only been a small number of complaints relating to this issue.
- If Ms G had been unclear about the term this could have been explained during the complaint process when it offered her the opportunity to withdraw her claim prior to any settlement.
- It thought it had taken a flexible approach to the handling of the claim given Ms G hadn't obtained a repair estimate that met the policy wording and the damage could have been considered to be cosmetic.

I issued a provisional decision on the complaint earlier this month. In summary I said:

The relevant rules and industry guidelines say Bastion has a responsibility to handle claims promptly and fairly. And it shouldn't reject a claim unreasonably.

I've looked first at the policy terms. I can see these include conditions which say within seven days of cover starting the policyholder must provide a number of things. That includes "photographic evidence that Your Gadget(s) are in a good and operational state". For a mobile phone a policyholder also needs to supply "a photograph of Your IMEI number clearly displayed on Your mobile phone".

The terms go on to say that "should You fail to validate correctly within the time scales provided, You may validate with us at any point during the policy period, but prior to a claim being made. Please note that should You validate Your Gadget outside of the initial 7 day period, Your 14 day exclusion period to lodge a claim will reset once validation has occurred. Should You fail to validate prior to Your claim being raised, please note that Your indemnity limit will be reduced to £75 prior to the deduction of Your Excess."

Bastion says the validation requirements are longstanding and common across the industry. And I don't think it's unreasonable in itself it asks a policyholder to provide this information. Doing so enables Bastion to establish what the condition of a phone is prior to any claim being made on the policy. I recognise that's a position we've taken in relation to previous complaints to our service. I'm also satisfied Bastion made the validation requirement clear to Ms G. It's provided details of the key terms and conditions she had to agree to prior to taking out the policy which say "you must complete the gadget validation process within 7 days of purchase or before a claim is made, whichever comes first".

I don't think it's in dispute Ms G didn't do that. And the terms of her policy do say where that hasn't been done prior to a claim being made the policy indemnity limit will be reduced to £75. But as well as considering the policy terms I also need to consider what's fair and reasonable in all of the circumstances of the case.

Bastion says it didn't need to include information about this limitation on cover in the IPID because it wasn't a policy exclusion. I accept it isn't but the relevant rules do nevertheless require the provision of appropriate information so a consumer can make an informed decision. And the rules reference the main benefits, exclusions, limitations and conditions of a policy.

Taking into account the rules, I think a significant limitation would be one that would affect the decision of customers generally to buy. I think the reduction in the indemnity limit where validation requirements weren't met is something which could impact that. I don't agree this issue would only impact a small number of policyholders as Bastion suggests; it has the potential to impact every policyholder who doesn't meet the validation requirements the policy contains. So I think Bastion should have drawn this to Ms G's attention in the information it was responsible for.

Bastion has also suggested there were elements of Ms G's claim that didn't in itself meet the terms of her policy. However, it hasn't relied on those points as reasons to turn down the claim and in fact accepted it. So I don't think those are issues I need to consider further.

Importantly I'm mindful of the fact that as Ms G made her claim in August 2023 the requirements of the Financial Conduct Authority's 'Consumer Duty' apply. Amongst other things that requires a business to ensure that its products provide fair value to retail customers in the target markets for those products. I understand the FCA's view is that means the price a customer pays for a product is reasonable compared to the overall benefits the customer gets from the product. In addition, firms must act to deliver good

outcomes for their customers, meeting customers' needs throughout their relationship so they can make maximum use of the benefits of the product.

In this case Ms G's policy excess was £150. So without validating her phone she couldn't derive any benefit from this policy because Bastion would never pay out more than that amount. So she was effectively paying for cover that was of no benefit to her. And given the policy requires the excess to be paid before any claim settlement is provided there was no transfer of risk to Bastion. In fact if it hadn't shown what it describes as 'flexibility' in offering to refund the excess Ms G paid it would have benefited from her claim by £75.

I appreciate Bastion did offer to refund the excess Ms G paid but that still means the best case scenario for a consumer in her position would be to have paid the premiums for the policy but never be able to derive benefit from it. Taking into account the relevant rules and in particular the requirements of the 'Consumer Duty' I don't think that leads to a good (or fair) outcome in her case.

I've therefore gone on to think about what the right outcome for this complaint is. I appreciate Ms G feels Bastion should contribute to the cost of the phone repair she had to have carried out herself. But I don't think that's something it needs to do. The validation requirements are reasonable in themselves and Ms G didn't meet those. So Bastion wasn't able to establish what the pre-accident condition of her phone was.

But given Ms G has been paying for cover where there's no genuine transfer of risk (given the level of her excess compared to the benefit the policy would provide without pre-claim validation) I don't think it's fair for Bastion to retain the premiums she paid for cover. So it will need to refund these to her (in addition to refunding the excess for her claim which it's already agreed to do). I also agree Ms G will have been caused some unnecessary distress and inconvenience by Bastion's handling of her claim and it will need to pay her £50 in recognition of that.

Responses to my provisional decision

Neither party responded to my provisional decision.

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.

As neither side has responded to my provisional decision I don't have any reason to change the findings I set out in it.

Putting things right

Bastion will need to refund the premiums Ms G paid for her policy (in addition to refunding the excess for her claim which it's already agreed to do). And it will also need to pay her £50 in recognition of the distress and inconvenience it caused her.

My final decision

I've decided to uphold this complaint. Bastion Insurance Company Limited will need to put things right by doing what I've said in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 27 June 2024.

James Park
Ombudsman