

The complaint

Mr S complains that Inter Partner Assistance SA (IPA) hasn't fully settled a claim he made on a travel insurance policy.

What happened

Mr S was abroad on holiday when he lost his sunglasses. He made a claim on his travel insurance policy for the cost of replacing them.

IPA accepted and partly settled Mr S' claim. It paid £159.75, which was the actual price Mr S had paid for the sunglasses. It acknowledged it hadn't responded to Mr S' request to reassess his claim as quickly as it should have done though, so it paid him £50 compensation.

Mr S was unhappy with the settlement he'd been paid. That's because he said the actual cost of replacing the sunglasses was £213. But Mr S had been entitled to a one-off discount when he bought the sunglasses, which had reduced the price. He said the policy covered the *full* replacement cost of a lost item. But IPA's settlement didn't reflect the actual cost of replacing the sunglasses. He asked us to look into his complaint.

Our investigator thought IPA had settled Mr S' claim fairly. That's because she thought it had put Mr S in the same financial position he'd been in immediately before he lost the glasses. And she felt the compensation it had already paid Mr S was reasonable.

Mr S disagreed and so the complaint was passed to me to decide.

I reviewed the complaint and I wrote to IPA to explain that I thought that the policy terms entitled Mr S to the full replacement cost of his glasses.

IPA didn't agree. It said that the purpose of insurance was to put a policyholder in the position they were in before the loss happened. It considered it had done so by paying Mr S the price he'd paid for the sunglasses, without any deduction for wear and tear. It didn't think it would be reasonable to direct an insurer to pay more for an item than a policyholder had, thus bettering their financial position.

I issued a provisional decision on 25 April 2024 which explained the reasons why I didn't think IPA had settled Mr S' claim fairly. I said:

'The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Mr S' policy and the circumstances of this claim, to decide whether I think IPA has treated Mr S fairly.'

I've first considered the policy terms and conditions, as these form the basis of the contract between Mr S and IPA. Given Mr S had lost his personal property, IPA considered the claim under Section 4 – Personal belongings and money. This says:

'We will pay you up to the amount shown in the Table of Benefits for the following items if

they are accidentally lost, damaged or stolen whilst on your trip.

a) *Baggage...*

...

The maximum we will pay you for any one item, pair or set of items under this section is shown in the Table of Benefits as the single article limit.

If you have to claim you will be entitled to the full replacement cost of your items, with no depreciation or deductions for wear and tear. (My emphasis added).'

The Table of Benefits shows that the single article limit is £250. And immediately underneath the Table of Benefits, the policy says that baggage claims are 'settled on a new for old basis.'

In my view, the policy terms make it clear that IPA will settle the full replacement cost of an item. The contract is silent on the potential for settlements to be limited to the actual price a policyholder paid for an item even if that price is less than the full cost of replacing the item. It was open to IPA to make it clear in the terms that the payment of claims wouldn't reflect any price increases or inflation.

Mr S has provided proof of purchase for his lost sunglasses. He paid £159.75 for the glasses. This is the settlement IPA has paid him. But the receipt shows that the actual cost of the glasses was £213. He received a one-time discount on the purchase which brought down the price. Mr S says this discount is no longer available to him and that therefore, he can't replace the glasses with the settlement he's been paid.

I appreciate that, generally, the purpose of a contract of indemnity is to put a policyholder in the same financial position they were in immediately prior to a loss. By paying Mr S £159.75 for the lost sunglasses, I accept that IPA has financially indemnified Mr S. But in this case, the policy clearly and specifically states that IPA will pay the full replacement cost of an item. So I don't think it was fair or reasonable for IPA to limit the settlement it paid.

But nor do I think it would be fair or reasonable for me to direct IPA to pay Mr S the difference between £213 and £159.75. That's because, having conducted my own research, it appears that the well-known sunglasses brand website sells the make and model of Mr S' glasses at a cost of between £164 and £240, dependent on the colour of the lenses and frames. So in my view, it would be fair and reasonable for IPA to calculate the actual cost of Mr S replacing his specific make, model and colour of glasses directly from the sunglasses brand website and to pay him any difference between the settlement it paid him and the full cost of replacing them. And I also think it would be fair and reasonable for IPA to add interest to that settlement at an annual rate of 8% simple from the date it initially settled Mr S' claim, on 16 October 2023, until the date of settlement.

IPA acknowledges it didn't communicate with Mr S as well as it could and should have done when he asked it to reassess his claim. So it's already paid him £50 compensation to reflect the trouble and upset this caused him. In my view, this is a fair, reasonable and proportionate award to reflect the likely modest amount of distress and inconvenience Mr S was caused when IPA didn't respond to him in a timely way.'

I asked both parties to send me any further evidence or comments they wanted me to consider.

IPA didn't respond by the deadline I gave, so our investigator let it know that the case would

be passed back to me for a decision.

Mr S accepted my provisional decision. He provided a screenshot from another sunglasses retailer which showed the cost of replacing his glasses would be £260.

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, as IPA hasn't provided me with any further evidence or comments to counter my provisional findings, I see no reason to depart from them. So my final decision is the same as my provisional decision and for the same reasons.

I'm grateful to Mr S for the evidence he's provided. But I still think it would be fair and reasonable for IPA to ascertain the actual cost of replacing the specific make, model and colour of Mr S' lost glasses from the website of the sunglasses brand itself, rather than from a third-party retailer. And I remain satisfied that IPA should then pay Mr S any difference between the settlement it originally paid him and the full cost of replacing the glasses, together with interest.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint.

I direct Inter Partner Assistance SA to:

- Calculate the cost of Mr S replacing his specific make, model and colour of sunglasses directly from the brand's website and to pay him any difference between the cost of replacing the glasses and the settlement of £159.75 it's already paid; and
- Add interest to any settlement amount, at an annual rate of 8% simple, from the date it initially settled the claim on 16 October 2023 until the date of settlement.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 July 2024.

Lisa Barham
Ombudsman