

## The complaint

Mr P complains that Admiral Insurance (Gibraltar) Limited (“Admiral”) has unfairly handled and settled a theft claim under his contents insurance policy.

Any reference to Mr P or Admiral includes respective agents and representatives.

## What happened

The background of this complaint is well known between parties, so I’ll summarise events.

- Mr P held his home insurance policy with Admiral. The contents section of this policy requires items that are worth more than £1,000 to be specified under the policy. Mr P specified a watch to the value of £2,500.
- In October 2023 Mr P contacted Admiral to make a claim under his contents claim following the theft of several items, including the watch, which Admiral accepted.
- Admiral appointed its jewellery supplier who said the watch’s actual value was much higher than the specified sum (around £8,450) so it concluded the watch was underinsured. Admiral said it would offer Mr P *either* a voucher for £2,500 to be used at a specialist high value watch shop, or it would pay him £1,850 in cash (the voucher’s cost to Admiral).
- Mr P disagreed, saying the voucher was restrictive and he shouldn’t have his settlement reduced as a result. Mr P said he’d found a replacement watch for £4,000 at another vendor that wouldn’t accept the voucher. The matter came to this Service.
- One of our Investigators upheld the complaint. She said the policy allowed Admiral to choose how to settle the claim, including paying in cash or vouchers up to the amount it could repair, restore, or replace the item for. Here Admiral’s voucher was not for the replacement value and instead was the policy limit for the specified item.

The Investigator said Admiral should pay the full insured sum of £2,500 in cash to Mr P. She initially discussed Admiral paying a larger voucher sum but later retracted this. The Investigator did not direct any interest in the circumstances.

- Admiral disagreed, saying Mr P failed to take the reasonable step of having his watch valued leading to its underinsurance. It said its voucher would contribute towards a replacement watch on a like-for-like basis. And it said the replacement Mr P found was not like-for-like as it was second hand and his policy provided cover on a “*new for old*” basis. It also specified the voucher it provided would be accepted by many jewellery stores within his home city including a specialist dealer in the brand of watch he’d had stolen.
- Our Investigator looked again. She didn’t change her mind saying Admiral should provide Mr P the option of either the £2,500 voucher *or* cash settlement of £2,500.

Admiral disagreed so the matter has been passed to me for an Ombudsman’s 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.

Having done so, I'm upholding this complaint. I'll explain why.

- In this case there's no dispute that the theft claim is accepted by Admiral. Nor is there any dispute that Mr P's watch was underinsured.
- This means the focus of my decision comes down purely to the settlement Admiral has proposed. This requires me to consider whether this settlement is in line with the policy terms, and in turn whether it's fair and reasonable. The relevant terms in the policy say:

***"We will decide to either:***

- *repair the item*
- *restore the item (for example, use professional cleaners for carpets)*
- *pay the cost of repairing the item*
- *replace the item as new, or*
- *pay in cash or vouchers up to the amount **we** could repair, restore or replace the item for.*

*The most **we** will pay under any one contents section is the contents sum insured shown in **your** Home Policy Schedule, unless the particular section states a maximum limit that will apply."*

- So, it's clear to me that the terms allow Admiral to use vouchers when settling claims – up to the value of repair, restoration or replacement. Vouchers often allow insurers to obtain discounts with retailers which may reduce settlement costs to the insurer while allowing the customer to have their item repaired, restored or replaced.
- In general, I accept that use of vouchers will be a fair settlement in many situations.
- Admiral has given detail of the number of locations near Mr P that its particular voucher could be used in – including a specialist store that deals with the watch brand in question. So, in principle, using such a voucher for this watch doesn't inherently appear unfair to me as it appears the locations that would accept the voucher sell equivalent watches. But going back to the terms I must consider if the use of a voucher in *these* particular circumstances would allow Mr P to replace his item – the stolen watch.
- It's not in dispute that Mr P's voucher to the value of £2,500 will not allow him to replace his stolen watch given it was underinsured. All parties agree that Mr P would need a sum of around £8,450 or above to replace the item. So, it seems to me that such a voucher simply wouldn't allow Mr P to replace his item.
- In the circumstances, I understand that Admiral holds Mr P responsible for this matter going wrong. He hasn't disputed his responsibility for this figure not being updated or correctly input. So, it has questioned why it should be directed to pay more than it needs to when it hadn't made the mistake to begin with.
- I recognise Admiral's position – but the difficulty I have in this claim is that while Mr P may have made a mistake, I have to consider whether the settlement options fairly indemnify Mr P for his loss. And I'm not persuaded in this case that they do.
- The voucher providing him with £2,500 is in line with policy, that is to say it fulfils the last bullet (it provides Mr P with the cost to replace the watch up to the policy limit). However, the cash offer for £1,800 isn't what it would cost Admiral to replace the item in cash (up to the policy limit). So, on its face, the cash offer isn't in line with the

policy.

- In this type of situation, we would often say insurers can limit their settlement to what it would've cost the insurer for the voucher providing we're satisfied the voucher offers a fair settlement. This is because the terms say Admiral has the option to "*either*" pay in cash or vouchers.
- But the voucher Admiral proposed to give him as settlement in these circumstances is a fair sum away from what he'd need to replace the watch, and while it has suggested this could be used towards such a replacement, his own discussion points of looking at second hand models satisfy me that it won't be. So, it leaves me persuaded that the voucher in these circumstances wouldn't be fair. And in turn, it wouldn't be fair for Admiral to limit its cash settlement to the cost of the voucher when settling this claim.
- Mr P has not objected to our Investigator's position on interest not being added to the cash settlement – so without going over these points again, I want to be clear I'm in agreement that Admiral would not need to pay interest in addition in this case.
- Our Investigator previously outlined options for Mr P regarding the settlement. From Mr P's submissions, and the nature of the dispute, its evident to me that Mr P does not wish to accept a voucher so I will not include this as an option within the redress I've outlined below.

### **My final decision**

I uphold this complaint. Admiral Insurance (Gibraltar) Limited must pay Mr P:

- £2,500 in cash for the settlement of this claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 November 2024.

Jack Baldry  
**Ombudsman**