

The complaint

Miss H complains about Lloyds Bank General Insurance Limited ("Lloyds") for the settlement it has offered her following the loss of some treasured earrings. She wants Lloyds to cash settle at a higher level than it has offered.

What happened

Miss H insured her home with Lloyds. She had specified 3 items on her policy which included diamond earrings at a value of £8000.

In September 2023, Miss H submitted a claim to Lloyds as the earrings had been lost.

She was able to provide a photograph to Lloyds, who engaged their agent to value the earrings.

The agent valued the earrings at around £12600 replacement cost through their supplier.

This exceeded the sum they were insured for, but Lloyds offered the full valuation as a voucher to use through those specific suppliers.

Miss H requested that Lloyds cash settle the earrings instead. She does not wish to use the voucher suppliers to replace her earrings as the earrings were bought 20 years ago, overseas, and had great sentimental value. She does not think that this could be replicated through this supplier.

Lloyds agreed to offer a cash settlement but set out that this would be at the value of around £6300, as this would be the cost to Lloyds of the voucher.

Miss H was not happy with this and complained to Lloyds. She felt that the cash settlement offer should be £8000.

Lloyds responded maintaining its decision.

Miss H contacted us.

One of our investigators looked into this matter and did not recommend that the complaint be upheld. He set out that Lloyds' obligation was to indemnify the loss and it had agreed to do so with the voucher.

Miss H did not accept that view and asked for an ombudsman 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.

I have read Miss H's reasons for not wanting to replace the earrings using a voucher. She has indicated that the earrings were bespoke and would not be the same if replaced. She

would prefer to redirect the value to another purchase which better suits her current needs.

I understand this, but that is not the function of insurance. As my colleague set out, Lloyds needed to indemnify the loss which it had agreed to insure, and it has offered to do so.

The earrings were insured at a value of £8000 and that is what Lloyds had agreed to insure.

It has later transpired that the value of the earrings had increased beyond the £8000 they were insured for, and were worth around 50% more.

As the earrings were insured for less than their value, it could have been open to Lloyds to seek to reduce any settlement, as it had not agreed to insure items at that level of value.

Fortunately, Lloyds' arrangement with the valuer meant that the increased value could still be fully indemnified within the liability accepted by Lloyds (£8000), by using its discounted vouchers, so Lloyds has offered to fully indemnify the value of the earrings. That is reasonable and meets the level of insurance offered under the policy.

Miss H is free to request a cash settlement to use in another way if she does not want to replace the earrings, however this would be by reference to the cost that Lloyds would have to otherwise pay to its supplier. This is clearly set out in the policy terms and was agreed to by Miss H.

Consequently, whilst I understand why Miss H would not wish to obtain a replacement of the earrings and would prefer to redirect the value, the cash settlement offered by Lloyds is reasonable in the circumstances.

As a result, whilst I understand this will be disappointing to Miss H, I do not think that Lloyds has done anything wrong, and I do not uphold Miss H's complaint.

My final decision

For the reasons given above, I do not uphold Miss H's complaint and do not ask Lloyds Bank General Insurance Limited to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 21 November 2024.

Laura Garvin-Smith
Ombudsman