

## **The complaint**

Miss P complains about the way St Andrew's Insurance Plc settled a claim made under her home insurance policy.

## **What happened**

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

At the relevant times, Miss P had a home insurance policy underwritten by St Andrew's Insurance Plc (SAI). She made a claim in 2015 after a flood affected her property.

SAI accepted the claim and appointed loss adjusters to deal with it on their behalf. Miss P's claim relating to contents affected by the flood amounts to around £500,000.

Having assessed the claim, SAI paid Miss P around £91,000 in settlement of the claim. She wasn't happy with this and believes the claim should be settled at around £497,000.

Miss P has made a number of complaints to SAI about this claim – and others. This decision relates to Miss P's dissatisfaction at the way SAI calculated the settlement for the 2015 flood contents claim.

In response to a previous complaint from Miss P about these events, we issued a final decision in December 2022.

In essence, that decision said that whilst we had no reason at that time to question SAI's settlement of the claim, we agreed with Miss P that she was entitled to a fuller explanation from SAI as to how they came to the settlement figure of around £91,000.

Specifically, we instructed SAI to give Miss P a breakdown of her claim to show which items they regarded as being high value items - and which of the other (non-high value) items they had agreed to cover and which they had not.

SAI have provided their response to Miss P. And that has now led to this complaint. In short, Miss P isn't happy with the level of detail in the breakdown – and she isn't happy with the way SAI have calculated the claim payment.

Our investigator looked into this, Miss P's latest complaint, and didn't think SAI had done anything wrong.

Miss P disagreed and asked for a final decision from an ombudsman.

## **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 need to deal with a particular technicality before I look at the issues in this complaint. In her

complaint to us, Miss P expressed dissatisfaction at the way SAI had arrived at the settlement figure. That's something I can look at in making this decision.

She also said they hadn't met the requirements set out in the previous (December 2022) final decision, in that SAI hadn't told her which (non-high value) items they'd been willing to cover and which items they had not included in the £91,000 settlement.

We've explained to Miss P why, technically, according to the rules which govern our service, she'd would have to seek to enforce any provisions of a final decision, with which she felt SAI hadn't complied, through the courts.

So, it's not for me to comment directly here on whether SAI complied with my previous (December 2022) decision. However, I don't think that really matters. For reasons that will become apparent, the issues are so intertwined that I will comment on the response SAI provided to Miss P as I look at whether the way they settled the claim is fair and reasonable.

### *The settlement calculation*

I'm going to set out, in this section, a brief summary of the mathematical route SAI took to get from Miss P's claimed c.£500,000 to the £91,000 they paid out to settle the claim. This is essentially what SAI have set out for Miss P in response to the previous (December 2022) final decision.

Later - in the section after this one - I'll say what assumptions SAI made to arrive at these calculations – and whether these were fair and reasonable

In short, SAI say there were items worth £222,000 which were high risk items (as defined in the policy terms). They say the policy limit on such items was, in effect £14,000 (£10,000 for high risk items plus £4,000 for personal belongings).

So, after the £14,000 paid out for high risk items is taken into account, there is a further value of high risk items amounting to £208,000 which was not paid as part of the settlement.

That takes the claim down to around £292k (£500,000 minus £208,000).

Of that remaining £292,000 claim, £78,000 is for clothing and household linen. SAI have reduced that by half to allow for wear and tear. The policy terms say that a wear and tear deduction will be made for clothing and/or household linen, though they don't specify the exact percentage.

That reduces the claim amount by a further £39,000 – to £253,000 (£292,000 minus £39,000 for wear and tear to clothing / linen).

SAI then halved that remaining figure (to £126,500) to account for items where there was no proof of ownership or where inspection of the items or photographs of the items suggested they were not damaged.

They then applied a 33.59% reduction to that remaining sum (£126,500). This was to account for Miss P allegedly over-pricing the claim items. SAI took a sample of 750 items, researched the true cost of replacement for each item. And calculated that Miss P had over-priced the items by an average of 33.59%. They then applied that reduction to the remaining items.

That would bring us to around £84,000 (£126,500 less 33%). Which is under the £91,000 settlement paid to Miss P. The slight discrepancy may be explained by the precise amounts

originally claimed (just under £500,000) and the rounding up and down during the calculations.

*The assumptions underpinning those calculations – and whether they are fair / justified*

There are four main assumptions made by SAI in order to arrive at the settlement figure of around £91,000. I'll look at each of them in turn below.

*High risk items*

The first assumption made by SAI is that claimed high risk items amounted to around £222,000 of the c.£500,000 total claim value.

SAI have provided spreadsheets showing all items claimed, divided by the four rooms affected by the flood (basement, kitchen, front room and middle room). The items in each room are then subdivided into high risk items and other items (which are then further subdivided).

The policy terms define high risk items as including electronic equipment (TVs, PCs etc.), cameras, jewellery, watches, works of art and sets or collectables / collections – including but not limited to stamps, medals and coins (amongst other things).

In the basement, SAI have categorised 900+ items as high risk (with a total value of over £90,000). These include collectable (and apparently quite valuable) toys, magazines, comics, records and coins.

In the kitchen, they have 150+ high risk items worth almost £10,000 in total, most described as vintage and/or collectable.

In the front room, there are 240+ high risk items – total value over £31,000 – again, many described as vintage or collectable and including a large number of posters (of high value), magazines, antiques, record covers and DVD collections.

Finally, in the middle room, there are almost 1,000 items considered high risk by SAI – total value close to £90,000 – including record collections, first edition or imported book collections, electronics, guitar memorabilia and other vintage and/or collectable items.

I'm satisfied that SAI have categorised the vast majority, if not all of these high risk items correctly, according to the policy wording. In many cases, Miss P's claim as to the value of these items is predicated on the notion that they are collectable and/or vintage.

I don't intend to list these items here – and/or consider whether each one is or is not high risk according to the policy definitions. But I can find no evidence to suggest that SAI's categorisation of these items is in any way flawed or unfair.

*Wear and tear for clothing and household linen items*

Miss P hasn't questioned the fact that there were £78,000-worth of items included in her claim that were clothing or household linen.

The policy terms clearly state that SAI will make a deduction for wear and tear when valuing such items. So, I can't reasonably suggest there's anything unfair about them doing so in this case.

They've made a 50% deduction here based on the age and state of some of the clothing and

linen items they've assessed. I have no evidence to suggest that was unfair or unreasonable in all the circumstances.

#### *The 50% reduction for items not evidenced or not damaged*

Miss P made a claim for £500,000-worth of lost or damaged contents after a flood affected her relatively modest home. Within four rooms (including a basement), she has claimed for close to 5,000 separate items. In some cases, it's difficult to see how the claimed items might physically fit into the space available.

In those circumstances - and given what Miss P told SAI about her personal situation - it is not surprising that SAI wanted Miss P to fully evidence her losses.

And it's not unreasonable, based on the evidence available, for SAI to say that Miss P has not done so.

SAI have also pointed to evidence which seems to show that some of the claimed items weren't affected by the flood and/or would have been easily cleaned / repairable.

I'm aware that Miss P made a claim relating to a further flood several years later. And I know SAI have concerns that some of the items claimed in 2015 – and allegedly disposed of at that time – seem to be repeated in the later claim.

I do understand that SAI have not given Miss P a list of specific items which were covered by the settlement and items which were not. However, they have now fully explained to Miss P how they arrived at the £91,000 settlement – and how they've accounted for items which likely weren't damaged and/or haven't been evidenced to have been in Miss P's possession.

Taking all of the available evidence and information into account, I can't reasonably conclude that it was unfair for SAI to apply a 50% deduction on the claim value to account for non-evidenced items and/or items which weren't actually damaged by the flood.

#### *The 33.59% reduction for over-pricing*

SAI took a sample of 750 items and researched the cost of replacement. That showed that Miss P was on average over-stating the cost of replacement by 33.59%.

I don't think it was unfair for SAI to stop at 750 items and draw a conclusion from that sample taken from the total of 5,000 or so items in the claim. The sample size is large - and it can be assumed to give a reasonable estimate of the over-valuation included in the original claim as a whole.

#### *Summary*

Taking all of the information and evidence we have into account, I'm satisfied SAI didn't act unfairly or unreasonably towards Miss P in settling her claim in the way they did.

The claim is, on the face of it, astonishing – in terms of the number of items and the overall value. Indeed, it is so extraordinary that, in my view, SAI were justified in asking for clear and persuasive proof of the facts, as they were presented by Miss P, before settling the claim.

In the absence of evidence to substantiate large parts of the claim, it wasn't unreasonable for SAI to settle it in the way they did (and as described above).

**My final decision**

For the reasons set out above, I don't uphold Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 4 December 2024.

Neil Marshall  
**Ombudsman**