

The complaint

Mr H and Mrs S complain about UK Insurance Limited ('UKI')'s offer to repair a damaged ring under a home insurance claim.

Both Mr H and Mrs S are named policyholders on their UKI policy, so any claim or complaint is brought by them both. But for simplicity, and because most of the information about the complaint has been provided by Mrs S, I'll refer mainly to Mrs S from here onward.

Mrs S's policy was sold and is administered by a third party company on UKI's behalf and most of her correspondence has been with this company. However, UKI is the policy underwriter, so her complaint is against UKI. Any reference to UKI in my decision includes the administrator.

What happened

Mrs S had a UKI home insurance policy. In April 2024, she lost the diamond from a ring and made a claim to UKI.

UKI instructed its specialist supplier (who I'll refer to in my decision as 'H') to assess the claim and make a settlement offer. H proposed three options:

- It would carry out the full repair.
- It would send a replacement diamond to Mrs S's preferred jeweller and pay £255 towards the cost of repairs.
- It would cash settle the claim for £1,003.

UKI told Mrs S the £350 policy excess would be payable under each option.

Mrs S was unhappy with the offer and complained to UKI. She didn't think UKI had based this on a replacement diamond of equivalent quality to the one she'd lost. She said, in summary:

- UKI was trying to "*railroad*" her into using a supplier she didn't want to use.
- She doesn't want to use a discount jeweller.
- Online reviews showed complaints about the quality of repairs and stones provided by H.
- A November 2015 valuation showed the retail price of her ring was £2,850.
- She provided two quotes for repairs from reputable jewellers at £2,000 and £1,950.
- There's a "*wide range*" of diamonds within her diamond. This vary in cost depending on quality. H's offer suggests it's providing a diamond at the lower end of this range.
- UKI is legally obliged to offer a like-for-like replacement.
- Her policy limit for individual items is £4,000.

UKI told Mrs S its offer was in line with the policy terms. These say it won't pay more than it would have cost H to repair or replace the ring. However, it apologised for its service failings. It acknowledged that it didn't explain the claims process or tell Mrs S that H would handle

her claim. It offered her £250 to apologise for this.

Mrs S didn't accept this and brought her complaint to this service. She says her quotes show it would cost at least £1,950 to replace the diamond and repair the ring.

Our investigator didn't recommend that Mrs S's complaint should be upheld. She was satisfied that UKI's proposed replacement diamond was of the same specifications as Mrs S's lost diamond. She explained that UKI's offer was in line with the policy terms and thought it was fair.

Mrs S disagreed with our investigator, so the case was passed to me to make a final 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.

First, ombudsmen decisions are published so are written in a way that prevents the customer from being identified. The precise specifications of Mrs S's diamond and the circumstances of its loss are known to both parties so I'm not going to set them out here. If I'm vague about them it's to keep Mrs S from being identified, not because I've ignored them or think them irrelevant.

Second, Mrs S has made detailed submissions about why she believes UKI's offer is unfair. I've looked at everything she's said but I don't think I need to comment on each point to reach the right outcome. I've focused instead on what I think are the key issues.

Pages 21 of Mrs S's policy booklet sets out how UKI will settle a claim. In short, it will repair, replace, or offer a cash settlement. That's what it offered Mrs S. The booklet also says: "*We won't pay more than the amount it would have cost us to replace or repair using our own suppliers.*"

There's nothing inherently wrong with this. Insurers will often have established relationships with suppliers which often means they have pre-agreed discounts with these suppliers, allowing them to purchase items below market price. That can lower the cost to the insurer which in turn can help keep customer premiums lower.

This means the cash amount UKI has offered to settle Mrs S's claim is the amount it would have paid to repair or replace the item through its preferred supplier, H. This explains the difference between H's quote for both the diamond and repair (the discounted price) and the quotes from Mrs S's jewellers (the retail price).

UKI is never going to be able to provide an identical replacement. But it's shown that it will provide a diamond of the same specifications as the one Mrs S lost. I'm satisfied that the weight, clarity, and colour of UKI's proposed replacement match that on Mrs S's November 2015 valuation. For the avoidance of any doubt, the policy limit of £4,000 is just that – a limit. UKI has shown that H can replace the diamond for less than this.

I understand why Mrs S might want to use her own jeweller. I think her early experiences with H as well as the online reviews she's seen will have influenced her decision. However, I'm satisfied that UKI's proposed settlement is in line with the policy terms and is fair.

UKI has acknowledged its service failings, especially at the start of the claim. These clearly caused Mrs S distress at a horrible time for her. It offered her £250 to apologise for this. Mrs

S told us she was prepared to accept this, pending the outcome of her complaint to this service. In the circumstances, I think UKI's offer for the distress it caused is fair.

I know this matter is incredibly important to Mrs S and she'll be disappointed with my decision. However, for the reasons above I think UKI's offer is fair. I'll leave it to Mrs S to tell UKI which of the three options she'd like to accept.

My final decision

My final decision is that I don't uphold the complaint because I think UKI's offer to settle the claim and pay Mrs S £250 is fair.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs S to accept or reject my decision before 31 December 2024.

Simon Begley
Ombudsman