

The complaint

Mrs & Mr C complain about Lloyds Bank General Insurance Limited's ("Lloyds") valuation of a piece of jewellery she lost under a home insurance claim.

Both Mrs & Mr C are policyholders on the policy, but for ease I'll mainly refer to Mrs C as it's her jewellery that was lost and most correspondence has been with her.

What happened

Mrs & Mr C had a Lloyds home insurance policy including cover for items away from the home. Under the policy, Mrs C's pendant and a pair of matching earrings were covered on an unspecified basis, up to the policy limit of £3,000 per item.

In December 2023 she dropped the pendant and it couldn't be retrieved. She contacted Lloyds and made a claim.

Lloyds assessed the details she'd given it about her pendant and said it would replace it. It offered her a replacement at a value of £2,300, or credit with its supplier up to £1,375. It also said some of its service hadn't been very good during the claim and it offered £75 compensation for this, which Mrs C declined.

Mrs C wasn't happy with the options Lloyds offered her as the jewellery had been specially made for her about 18 years before. She said the quality of work done by Lloyds' suppliers wouldn't be good enough, and the stone and gold quality wouldn't match the rest of her collection.

She asked her own choice of jeweller to provide a quote for replacement, and it said the cost would be estimated at £3,545 inclusive of VAT.

As she remained unhappy, she brought her complaint to this service. Our investigator thought her complaint would be upheld. She carried out an extensive negotiation between Mrs C and Lloyds. She said she thought Lloyds should improve its offer and improve the quality of the precious stone fitted, together with the amount of gold at key parts of the pendant. She also thought it should pay Mrs C an additional £200 for her distress and inconvenience.

Lloyds made an offer to settle Mrs C's claim at a replacement price of £3,000 less the excess, or with vouchers at its supplier for £1,775 net of the excess. It also said it would settle the claim for £1,400 cash value net of the excess.

Our investigator thought this was fair.

Lloyds agreed with the view. But Mrs C didn't. She says she had serious misgivings about the suppliers Lloyds would use to replace her pendant. She asked that her complaint was reviewed by an ombudsman.

Because Mrs C disagreed, her complaint has been 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.

I can see from the evidence in the file that the pendant lost was of significant sentimental value to Mrs C and she has my sympathies for its loss and the impact on her.

I'll not go into detail about exactly what the pendant was, or the associated metalwork, as I can see these matters have been dealt with in significant depth by Mrs C, our investigator and Lloyds.

I'll also reassure Mrs C that I've read the file of evidence I've been provided but won't refer to all the points she'd made in this decision. This is in line with this service's informal approach.

The policy booklet sets out how Lloyds will settle a claim. It says:

"Where we use suppliers, we might get discounts. We will use their cost to us when settling claims. What we mean is, if you ask us to settle a claim in cash instead of using a supplier, then we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home."

There's nothing inherently wrong with this. Insurers will often have established relationships with suppliers. This often means they have pre-agreed discounts with these suppliers, allowing them to buy items below market price. That can lower the cost to the insurer. The cash amount the insurer pays to settle a claim will usually be the amount it would have paid to replace the item through its preferred supplier.

Lloyds made different offers to Mrs C, which at different times included the retail price of the jewellery, a voucher for other products from its supplier, and a 'cash' offer.

I need to consider whether Lloyds' offers were fair. And, having read the file, I don't think its initial offer was. I can see it used different quality stone, and there was detailed correspondence about the chain and quality of the metal in it, as well as the mounting for the stone. From what I can see, Lloyds didn't deal with this initial part of Mrs C's claim well, and I think it caused her distress and inconvenience.

Having read the later part of the file, following the discussion between Lloyds, our investigator and Mrs C while her complaint was with this service, I think Lloyd's final offer was fair.

Mrs C, however, doesn't think it was fair. She maintains that she doesn't think the quality of the replacement item will match the other items she has that belong in the same collection.

Under the terms of the policy wording, it says:

"We'll replace an item with a new item on a like for like basis. When we say 'like for like basis', we mean we'll try to replace it with an exact match. If we can't find an exact match, we'll replace it with the nearest equivalent. By 'nearest equivalent' we mean an item of the same quality and same specification."

Lloyds' policy wording explains what 'like for like' means, and I think its explanation is clear and reasonable.

I've thought carefully about this point. Mrs C has focused on the words 'like for like' in her

complaint. She has reflected that she doesn't think Lloyds would be able to supply the replacement pendant for a retail cost of £3,000 especially given the information on gem quality it's given her.

But what this would seem to mean is that, possibly, her pendant had a replacement value greater than £3,000, which would mean it needed to be specified on the policy. And the price she obtained from her own choice of supplier (£3,545) in January 2024 seems to reinforce this point.

So I think the situation remains that, while Mrs C may well ask for a better quality replacement, I don't reasonably think she can expect Lloyds to pay for it under the terms of the policy which was to cover items up to £3,000 in value.

In her later responses to this service, Mrs C said *"the only way I can get a like for like replacement is to have a replica made by [her chosen jewellery manufacturer] using my earrings to copy from and this is still my view."*

I can appreciate Mrs C's concern, and she's clearly invested time and effort at looking into the background of the suppliers Lloyds says it will use. But I don't think it's fair of Mrs C to, effectively, reject the replacement item before it's made for her because she thinks Lloyds' supplier won't be up to the job.

It seems to me that the fair way to deal with this is for Mrs C to choose how her claim will be settled. What I mean by that is that she can choose to have the pendant replaced by Lloyds' supplier in line with the discussions that've already happened. Or she can choose to have a voucher with the supplier, or a cash settlement for the amount Lloyds would reasonably have paid for a replacement under the terms of the policy. And these options are to be in line with Lloyds' last offer to her while her complaint was with this service.

I can see Mrs C has been distressed and inconvenienced by the lengthy discussions that have gone on, even while her complaint was with this service. I think it's fair I say that many of the issues in the claim should have been dealt with at a much earlier stage in the claims process. Lloyds offered Mrs C £75 compensation for the earlier delays, and has agreed with our investigator that it would pay a further £200 for her distress and inconvenience.

I've thought about this, and considered this service's guidelines on compensation. And I think the total amount of £275 is fair in the circumstances.

So, I'm upholding Mrs C's complaint because I think Lloyds needs to pay her additional compensation for her distress and inconvenience, but I'm not going to require Lloyds to do anything differently with regards to how it handles her claim as I think its latest offer is fair and reasonable.

My final decision

My final decision is that I uphold this complaint. I direct Lloyds Bank General Insurance Limited to:

- Settle Mrs & Mr C's claim in line with the policy terms and the offer it has made.
- Pay them a total of £275 compensation for their distress and inconvenience. If any payments have been made then they can be deducted.

Lloyds Bank General Insurance Limited must pay the amount within 28 days of the date on which we tell it Mrs & Mr C accept my final decision. If it pays later than this, it must also pay

interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 17 February 2025.

Richard Sowden
Ombudsman