

## **The complaint**

Mr and Mrs W's complaint is about the handling of a claim under their contents insurance policy with AXA Insurance UK Plc. Mr W has been the main correspondent on the complaint, so I will refer to him throughout.

## **What happened**

Mr W contacted AXA in April 2024, to make a claim for some items stolen from his garage.

AXA asked for proof of purchase and evidence of the value of the items. Mr W was able to provide proof of purchase for most items and AXA settled the claim for these items but said that the receipt for one bicycle shows it was purchased in January 2023 for £1,838.05. AXA says the policy only covers individual items worth more than £1,500 if they are specified in the policy and Mr W did not specify this bike.

AXA also said it would not make any settlement for some wet suits and life jackets, and the bag they were in, as Mr and Mrs W could not provide receipts for those items. Mr W did later find receipts to support the claim for the wetsuits and life jackets and AXA later agreed to settle those items but it maintained its position on the bag itself, as Mr W was unable to provide a receipt for the bag.

Mr W was unhappy with this. He says the bicycle was purchased for less than £1,500 under a 'cycle to work' scheme with Mr W's employer. In May 2024, he also provided evidence that the same bike could be purchased for less than £1,500.

One of our Investigators looked into the matter. She initially said that AXA was entitled to refuse the claim for the bike. However, after further evidence from Mr W, the Investigator changed her mind and said the policy referred to the value and the replacement price of insured items, which caused some lack of clarity. And, as Mr W has shown he can replace the bike for less than £1,500 and he had paid less than £1,500 for it, she said she could understand why he had not specified it under the policy. The Investigator therefore said AXA should meet the claim for the bike.

The investigator also said that the notes show that AXA accepted the bag containing the wet suits and life jackets had been owned and had been stolen and so would cover them even without the receipts but later changed its mind. The Investigator said there was no evidence as to why it changed its stance but, in any case, she said it was not unusual that a policyholder cannot provide receipts for some items and given there was nothing to suggest the bag had not also been stolen, AXA should settle the claim for those items including the bag. The Investigator said AXA should add interest on the settlement amounts.

The Investigator also considered Mr W's complaint about delays but said the claim had been dealt with in a reasonable time overall. The claim was notified in mid-April 2024 and settlement offered by mid-May 2024.

AXA agreed to pay for the bag but does not accept the Investigator's assessment in relation to the bike. AXA says the policy is clear and the wording explicitly states that any item worth

over £1,500, or any item with a replacement cost exceeding £1,500, must be specified. AXA says the value of the bike should be based on the recommended retail price.

AXA says that the bike was purchased for £1,838.05 in January 2023 and the policy renewed in September 2023. The value and replacement value of the bike would have been the same as the purchase price at that stage. And the value of the bike would have been the same at the time of the theft. It says the invoice Mr W provided shows he paid over £1,500 for the bicycle, and it doesn't take into account that he got a discount on it through a work scheme. The fact it could be purchased for less than £1,500 in May 2024 is not relevant, as it does not establish it was available for that price, either when it was bought or when it was stolen. AXA says Mr W was aware of its value and did not specify the bike under the policy, so it is entitled to reject the claim for the bike.

Mr W says while the invoice for the bike shows the price as £1,838.05, it was purchased under a cycle to work scheme, so he got a large discount and in fact only paid just under £1,500 for it. Mr W says the bike was available cheaper (for less than £1,500) at other retailers at the time but they did not all accept the discount scheme so he had to buy from this particular retailer. He says the bike could have been purchased for less than £1,500 at the time and it has decreased in value since taking out the insurance.

As the Investigator was unable to resolve the complaint, it has been passed to me.

### **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.

Mr W's policy schedule says that it covers:

*"Bikes, gadgets and high risk items:*

*Our contents cover (Section 2) includes cover within the home for:*

- *Bikes worth less than £1,500 individually...*

*If you have items worth more than the above limits or if you'd like to protect them away from home, you'll need to specify them otherwise they're not covered".*

The policy does not define how an insured item's "worth" will be determined. It also does not state that it is the worth or value at the time the item was purchased, when the policy was taken out, or at the time of the loss that is relevant. I have therefore considered the rest of the policy to assist in determining the reasonable intentions of the policy.

In the "What happens when a claim is notified" section of the policy, it says:

- *"We allow up to 10% leeway on the threshold for High Risk Items if the value is uncertain. For example, if an antique clock is found to be worth £1,600 when you make a claim, we'll consider paying out its full value. This is despite our Contents cover requiring you to specify High Risk Items worth more than £1,500.*
- *We'll treat you fairly if the value of an item changes during the Period of Insurance. For example, if the price of gold were to suddenly double during the life of the policy, we'd take this into account if you make a claim. You will though need to make sure that the replacement value of any Specified Item is up to date during each Period of Insurance.*
- *We'll pay up to the sum insured or the limit shown in your policy for each claim....*

- *Where we replace an item, we'll do our best to meet the original specification on a new-for-old basis. If we can't find an exact replacement, we'll offer you a suitable alternative or a full cash settlement...*
- *Where we agree to settle in cash, we'll give you an up to date replacement cost."*

While the above terms refer to "*high risk items*" and does not specifically state they also applies to bikes, given that bikes and other high risk items are dealt with together elsewhere in the policy, I think it is reasonable to interpret this as also being how a policyholder can reasonably expect claims for bikes to be dealt with.

Having considered the above terms, it seems clear to me that the value of the item is intended to be evaluated by using the replacement cost, as opposed to the purchase price or recommended retail price. And I have seen nothing elsewhere in the policy to suggest otherwise. On occasion these might all be the same but if they differ then it is the replacement cost that is relevant.

I also consider that it is reasonable to interpret the above terms as meaning it is the replacement cost at the time of the loss that is relevant. I say this because it explains that values may change over time and that the policyholder will need to make sure the replacement value of any specified item is kept up-to-date. The above terms give an example of an item increasing in value during the period of insurance but I think it also means that, even if an item should be specified at the start of the period of insurance, it can reduce in value and it is the up-to-date value that is relevant.

There is also nothing in the policy to suggest that where an item should have been specified when the policy is taken out but falls in value over the period of insurance, such that it is not worth less than the £1,500 limit for specified items, that cover for that item would be refused.

Mr and Mrs W did specify some other items and I have no reason to think they would not have specified the bike if they had thought it was worth more than the policy limit at the time. However, given the above I also consider that, even if they should have specified this bike when they took out the policy, I see no reason that this means it is not covered at all if the replacement value at the time of the loss was less than the £1,500 limit.

Mr W has provided evidence of the same bike on sale, in or around May 2024, for £1,479.98. It seems likely to me that the bike would have been available for that price – or within 10% of £1,500 (so below £1,650) at the date of the loss. There is no convincing evidence otherwise, as far as I am aware.

I therefore agree with the Investigator that AXA should meet the claim for the bike in question and pay interest on the settlement amount due. As the policy says it will cover the replacement value, AXA is only obliged to offer the amount it would cost to replace the insured item. AXA would therefore be entitled to consider this as being the amount Mr W can replace the bike for using his work scheme.

With regard to the bag and contents. I am pleased to note the contents have been agreed. With regard to the bag, I agree that Mr W has provided evidence he owned the bag claimed for, by way of a photo, and there is nothing to cast doubt on the claim for the bag. As the Investigator stated, it is not always possible to provide receipts for everything one owns and in the circumstances of this case, it was not reasonable to refuse the claim for the bag. I am pleased to note that AXA accepted the Investigator's view on this. I also agree with the Investigator that AXA should add interest to the payment for the bag.

**My final decision**

I uphold this complaint against AXA Insurance UK Plc and require it to meet the claim for the bike and the bag, subject to the remaining terms of the policy. Interest should be added to both payments at 8% simple per annum from the date AXA first declined the claim for these items to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 7 April 2025.

Harriet McCarthy  
**Ombudsman**