

## The complaint

Ms J complains about how Lloyds Bank General Insurance Limited (Lloyds) dealt with a contents claim under her home insurance policy for a lost chain.

Lloyds use agents to administer the policy and to assess claims. References to Lloyds include these agents.

## What happened

In July 2024 Ms J contacted Lloyds to say she'd lost a necklace and make a claim for its replacement. She also provided a description of the necklace and a photograph of her wearing the necklace. Lloyds' Claims Team emailed Ms J to set out the claim process. They appointed their jewellery supplier (H) to assess the claim against the policy terms. If the claim was accepted, H would discuss the options open to Ms J to settle the claim, including those to replace the necklace, such as direct replacement through H, a voucher to use at an approved retailer (H would provide a list of approved retailers), or a cash payment.

H validated the claim, including their assessment of the lost necklace in terms of its length, weight and quality of precious metal from which the necklace was made. They concluded there was an equivalent necklace, which could be obtained through one of their approved retailers for £2,550. So, they offered Ms J a voucher (e-card) to the value of £2,550. Alternatively, if Ms J preferred a cash settlement, they offered a cash settlement of £1,175 (net of the policy excess of £100). The cash settlement figure was lower because of the discounts Lloyds were able to negotiate with H. That is, a voucher value of £2,550 would cost Lloyds £1,175.

However, Ms J was unhappy with the settlement options offered by Lloyds. She said she'd purchased the necklace over 20 years previously as an antique and it had sentimental value to her as it had been bought for her to mark the birth of her son. She also said the nearest retailer she could use the voucher was too far away as she was disabled and didn't drive. She also didn't think the replacement offered wasn't suitable as the lost necklace was made of higher quality precious metal. And the cash settlement figure was too low, compared to the voucher value. She didn't think she could replace her necklace with a suitable replacement for either the voucher value of £2,550 or the cash settlement figure of £1,175. So, she complained to Lloyds, saying she would accept a cash settlement of £2,550 to enable her to shop for a replacement necklace locally.

Lloyds upheld the complaint in part, awarding £25 to Ms J for part of the email from the Claims Team being unclear. The letter incorrectly referred to a cash payment being **without** any possible discounts, when it should have said a cash payment **would be** with any possible discounts (my emphasis). However, Lloyds didn't uphold that part of the complaint about the cash settlement being lower than the value issued through a voucher. Lloyds said the policy booklet confirmed that where a policyholder asked them to settle a claim in cash, they wouldn't pay more than it would cost them to repair or replace an item. This would include where a voucher to replace an item was issued. Lloyds acknowledged what Ms J said about the nearest showroom she could redeem the voucher was too far from her, as she didn't drive. But Lloyds said H offered an online service.

Lloyds issued a further final response a few days later, in which they maintained their decision about Ms J's complaint. Lloyds said H had confirmed they were able to replace the necklace on a like for like basis, which the policy terms provided for. If an exact match couldn't be found, they would replace the necklace with the nearest equivalent (meaning an item of the same quality and specification). Lloyds also confirmed the policy terms providing for a cash settlement would be based on what it would cost Lloyds to replace an item through their supplier (as they benefitted from supplier discounts) and that Ms J could source a replacement online rather than visiting one of H's stores.

Ms J then complained to this Service. She was unhappy at the settlement options offered by Lloyds, particularly the significant difference between the voucher value and the cash settlement. She thought the value of the necklace to be around £2,700 (she wasn't questioning the higher figure used by Lloyds when offering a voucher). She thought the approved retailers offered by Lloyds (H) were expensive and she didn't feel she'd get the full value of her necklace if she bought a replacement with the voucher (and the voucher offer stipulated only full price items could be purchased, not sale items). Had she been offered what she considered a fair cash settlement offer, she could have shopped locally and obtained a replacement closer to what she thought was the value of her necklace. Her illness and disability meant she didn't drive and so couldn't get to the nearest H retailer.

Our investigator didn't uphold the complaint, concluding Lloyds didn't need to take any action. In settling a claim of this nature, insurers should look to put a policyholder back into a broadly similar position to the one they were in immediately before the loss giving rise to a claim. In Ms J's case, H had arrived at a valuation of the lost necklace based on the photograph and description provided by Ms J. While the valuation was fair, Lloyds had followed the policy terms and conditions when offering a cash settlement that reflected the discounts they were able to obtain from their suppliers. The investigator also noted the voucher could be used to purchase a replacement necklace at a number of retailers (not just an H outlet) that he felt broadly equivalent to the lost necklace.

Ms J disagreed with the investigator's view and requested that an ombudsman review the complaint. Having looked online at various retailers, she didn't agree she could purchase a like for like replacement for her necklace.

### **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.

My role here is to decide whether Lloyds have acted fairly towards Ms J. It isn't the role of this Service to act as claim assessors in determining the settlement of a claim, but to decide whether Lloyds have acted fairly in the circumstances of this case in how they have handled and assessed Ms J's claim.

The key issue in the complaint is whether Lloyds acted fairly in making a settlement offer of either a voucher (e-card) or a cash settlement. Ms J says the offers don't enable her to replace her necklace with an equivalent necklace. In particular, the cash settlement is significantly lower than the voucher value and her mobility issues mean she can't travel to one of H's retail outlets to purchase a replacement using the voucher. Lloyds say they've applied the policy terms and conditions in offering a voucher to their valuation of the lost necklace, based on a description and photograph of Ms J wearing the necklace. And that the cash settlement offered reflects the policy terms and conditions that provide for a cash settlement to be the cost to them through their suppliers (under which they obtain discounts).

Having considered carefully all the information and evidence in this case, from Ms J and From Lloyds, I've concluded Lloyds have acted fairly. I know this will disappoint Ms J, so I'll set out the reasons for reaching this conclusion.

Lloyds refer in their final response to the policy terms for replacing items, including where a policyholder requests a cash settlement. Under a section headed *How we'll look after your claim* it states:

*"If we accept your claim, there are a few ways we can look to put things right.*

- We'll try to repair the damage.*
- If we can't repair, we'll try to replace.*
- We may pay a cash settlement instead."*

In the same section, under a sub-heading *What else do you need to know?"* it states:

*"Where we use suppliers, we might get discounts. We will use their cost to us when settling claim.*

*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 follows further wording about replacing an item on a 'like for like' basis:

*"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. If we can't find an exact match or nearest equivalent, we'll decide on how much to pay. This will be based on an expert opinion of how much it was worth before it was lost, stolen or damaged."*

Looking at these terms, I think Lloyds acted in accordance with them. They offered a voucher (e-card) to Ms J for what their jewellery specialists assessed the value of her necklace, which Ms J doesn't challenge specifically. And in the absence of an up-to-date valuation of the necklace, then I think it was reasonable for Lloyds to estimate a value based on the description of the item and the photograph.

Ms J does challenge the difference between the voucher value and the cash settlement. I understand why she thinks the difference is too great (the cash settlement is less than half the voucher value). But it reflects the fact that Lloyds, through their purchasing power and negotiated discounts, pay substantially less for a voucher, compared to its face value. That's a commercial arrangement between Lloyds and their supplier, so I can't conclude it's unfair or unreasonable. And the above policy terms make the position quite clear that a cash settlement offer will reflect the discounts Lloyds can secure from their supplier. On the issue of whether a replacement necklace is 'like for like' and 'equivalent, having seen the valuation from Lloyds' supplier, it does refer to the quality, length and specification of Ms J's necklace (as far as could reasonably be determined from the details she was able to provide). So, can't conclude Lloyds (H) acted unfairly and unreasonably in concluding they could offer a 'like for like' or 'nearest equivalent' bearing in mind what Ms J has said about the circumstances of her necklace's purchase. I recognise, for the reasons she'd told us. That the necklace has particular sentimental value for her. While I understand this, it wouldn't affect the valuation of the necklace by Lloyds.

Ms J also makes the point that her health and disability means she wouldn't be able to travel to the nearest retail outlet at which she could use the voucher. I appreciate her circumstances, but it wouldn't preclude her seeking to purchase a replacement online at one of the approved retailers, avoiding the need for difficult and costly travel for her.

I've also considered Lloyds's compensation award in the specific circumstances of the case, and also against the published guidelines from this Service on awards for distress and inconvenience. Looking at what happened, it appears to have been a simple typographical error on the part of Lloyds's Claims Team, which Lloyds have apologised for and awarded £25 compensation, I think that's fair and reasonable, so I won't be asking them to make a further award.

Taking all these points and conclusions into account, I think Lloyds have acted fairly towards Ms J, so I won't be asking them to take any further action.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Ms J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 6 March 2025.

Paul King  
**Ombudsman**