

The complaint

Mr M and Miss S complain about the settlement Lloyd's Insurance Company SA offered them for a claim they made under their overseas home insurance policy.

Lloyd's is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As Lloyd's has accepted it is accountable for the actions of the agents, in my decision, any reference to Lloyd's includes the actions of the agents.

Mr M and Miss S are joint policyholders, but most of the communication regarding the claim and complaint has been from Mr M. So, I'll refer mainly to him in my decision.

What happened

In September 2023, Mr M and Miss S made a claim under their overseas home insurance policy with Lloyd's after discovering that their holiday home had been broken into and vandalised.

Lloyd's accepted their claim and offered Mr M a cash settlement for damage to the building and stolen contents. Lloyd's said its offer was based on a 50% contribution basis because there was no evidence of the pre-loss condition of the property.

Mr M wasn't willing to accept Lloyd's offer as he didn't believe it was sufficient to bring the property back to its pre-loss condition. Lloyd's said it would reconsider its position if Mr M provided contractors quotes for its review. Mr M provided a quote, but Lloyd's wasn't willing to increase the settlement offer. So, Mr M raised a complaint.

Lloyd's said its settlement offer was fair and reasonable. It believed offering a 50% contribution of the claim costs was correct and fair as it was unable to establish the condition of the property pre-loss and the contents contained within it. Its loss adjuster thought the estimate Mr M had provided included costs that were not justified or were overpriced.

Mr M remained unhappy and asked the Financial Ombudsman Service to consider the matter.

Our investigator thought Mr M's complaint should be upheld. She didn't think it was fair for Lloyd's to conclude that the property's pre-loss condition was poor. She recommended Lloyd's pay the full amount the loss adjuster had assessed to repair the damage to the building (with interest).

The investigator thought it was fair for Lloyd's to pay 50% towards the cost of replacing contents that Mr M hadn't been able to evidence. But she thought it should pay the full amount for contents items that had been validated by proof of ownership or receipt.

Mr M and Miss S accepted our investigator's outcome.

Lloyd's said that to bring the matter to a conclusion it was willing to settle the buildings element in full. However, it didn't feel it should be paying interest on this as Mr M and Miss S had not been in the property for a while. It was also not convinced repairs paid out previously

on a separate claim had been done. It said Mr M and Miss S did not really assist in presenting their claim. It asked our investigator to confirm she was willing to remove the interest element from her outcome.

After our investigator explained why she thought interest should be paid, Lloyd's asked for the case to be escalated to an ombudsman. So, the complaint has been passed to me to decide.

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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

Buildings

The policy's terms and conditions say:

"We will at our option pay the cost of repair or replacement, subject to repair or rebuilding being carried out provided that, at the time of loss or damage, the Sum Insured is not less than the rebuilding cost and the Buildings are in good repair..."

If the Buildings are not in good repair or if repair or replacement is not carried out We will at our option:

- (A) Pay the cost of repair or replacement less a deduction for wear and tear and depreciation*
- or*
- (B) Pay for the reduction in market value caused by the loss or damage..."*

Lloyd's says it made the decision to offer a 50% contribution towards the cost of repairs to the building because Mr M hadn't provided evidence to show the pre-loss condition of the property.

It says that although the loss was considered genuine, local investigations suggested the property was in poor condition, possibly a long-term renovation project, with squatter occupation and tampered electricity supply.

Lloyd's says the only account of the claim was from Mr M who claimed the keyholder reported the property in good, clean condition during their last visit before the loss In June 2023, consistent with how it was left by Mr M in October 2021.

I can see Mr M provided Lloyd's with contact details for the keyholder who had visited the property a few months before the damage was discovered. However, Lloyd's didn't interview her. It says it had considered doing this but then its focus had shifted to obtaining official costs and compromising to settle the claim. It says that while contacting the keyholder might have provided additional insights, it's unlikely it would have resulted in the claim being paid in full given the lack of supporting documentation and inconsistencies in Mr M's account.

I'm not persuaded from the information I've reviewed that there were inconsistencies in Mr M's account of the pre-loss condition of the property. I understand Lloyd's was concerned that Mr M's report of stolen items included tools and building materials. But Mr M said tools were left in the property because he'd done some renovation work in 2017. He told Lloyd's that the left-over materials were to upgrade a wall in the landing. I think Mr M gave a

reasonable explanation as to why he was claiming for stolen tools and building materials. So, I'm not persuaded there is evidence to show that the property was a long-term renovation project.

I understand that Lloyd's wanted to see photographs showing the condition of the property when Mr M last visited in October 2021. Mr M was only able to provide photographs from 2010 and 2017 and these weren't sufficient to satisfy Lloyd's of the property's condition. However, I don't think it was fair for Lloyd's to reach the conclusion that the property was in a poor condition because there weren't photographs to prove that it wasn't.

I appreciate Lloyd's was concerned that the property had been unoccupied for almost two years when the damage was discovered. But Mr M explained that he hadn't travelled in 2022 and early 2023 due to health reasons. I note Lloyd's comments that regular inspections might have prevented or mitigated the issues, but I can't see that more regular visits or stays were a condition of the policy.

Lloyd's has commented that if repairs from previous claims, such as those related to theft incidents in 2010 and 2012, were not completed, it could have contributed to the property's poor condition. Mr M said he'd done the repairs himself between 2012 and 2017 and if he'd had any invoices or receipts, they would have been stored in the kitchen drawers or cupboards. Mr M did provide some photographs to show work being carried out in 2017. I appreciate these weren't sufficient to satisfy Lloyd's that the repairs from the previous claims had been completed. But given that the previous claim was around eleven years prior to the current one, I don't think it was reasonable for Lloyd's to assume that repairs hadn't been completed.

Having considered all the information available to me, I don't think Lloyd's has shown that Mr M and Miss S's property was in a poor state of repair prior to it being broken into and vandalised. So, I don't think it's fair for it to reduce the settlement on that basis.

In May 2024, Mr M provided quotes from a contractor which were reviewed by Lloyd's loss adjuster. The loss adjuster said he couldn't verify the quote because it wasn't sufficiently detailed. He'd tried calling the contractor who compiled the estimate, but he wasn't able to get hold of him. The loss adjuster said it wasn't adequately justified that some items needed to be replaced and he believed the quote for kitchen repairs was above market value.

I don't think it was unreasonable for Lloyd's to decide not to accept the estimate from Mr M's contractor given that its loss adjuster concluded it was too high and there weren't any other quotes for comparison. So, I think it's reasonable for Lloyd's to base the settlement for the buildings aspect of the claim on the estimate in the loss adjuster's report from September 2023, which was €13,283.20 (including VAT).

I've explained why I don't think it's fair for Lloyd's to reduce the settlement because of the pre-loss condition of the property. So, I think it should pay the full estimate of €13,283.20. I think it should add interest at 8% simple per year from the date of the first settlement offer until the date the settlement is paid to compensate Mr M and Miss S for being deprived of these funds.

Contents

The policy's terms and conditions say:

"We will at our option pay the cost of repair or for replacement as new provided that, at the time of loss or damage, the Sum Insured is not less than the full replacement cost."

The full replacement cost is the cost of replacing all Contents as new less an amount for wear, tear and depreciation on clothing and household linen.”

The onus is on the policyholder to prove their claim by providing proof of ownership for items claimed for. Unfortunately, Mr M wasn't able to evidence ownership of many of the stolen items. He says most of the items were collected and purchased over a period of time and brought over from the UK.

Lloyd's offered to pay Mr M and Miss S a 50% contribution towards the contents they claimed for because it wasn't able to validate many of the items. I think it's reasonable for it to do this for items Mr M can't provide proof of ownership for. But I think it would be fair for Lloyd's to pay the full replacement costs for items Mr M has been able to prove ownership of, subject to the policy's terms and conditions.

Putting things right

Lloyd's should:

- Pay Mr M and Miss S €13,283.20 (or the converted British pounds amount) for the buildings part of the claim and
- Add 8% simple interest per year* to the above, calculated from the date it made the settlement offer, to the date the payment is made and
- Settle the contents part of the claim by paying the full replacement amount for any items that have been validated by proof of ownership or receipt, and 50% towards the costs of the remaining contents items (subject to any applicable policy limits and excesses).

*If Lloyd's considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M and Miss S how much it's taken off. It should also give Mr M and Miss S a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've explained, I uphold Mr M and Miss S's complaint and direct Lloyd's Insurance Company SA to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Miss S to accept or reject my decision before 22 April 2025.

Anne Muscroft
Ombudsman