

## **The complaint**

Mr C has complained about Fortegra Europe Insurance Company Ltd's settlement offer for his claim under a furniture warranty.

The warranty and claim is administered by Guardsman but the insurer sitting behind it – and who is ultimately responsible for the claim – is Fortegra. This is why the complaint is set up against Fortegra and why I refer to Fortegra below.

## **What happened**

Mr C held a furniture warranty covering a three-seater sofa, an arm chair and a foot stool. The furniture matched and formed a suite. Mr C made a claim for damage caused to the sofa. The damage couldn't be repaired as the manufacturer had discontinued the leather. So Fortegra offered to settle the claim by:

- allowing Mr C to choose replacement furniture up to the value of £1,867, or
- paying Mr C £933.50 as a cash settlement.

Mr C felt the offers were unfair. He wanted the offer to include the full value of the undamaged items. He said the warranty shouldn't have been sold if there wasn't a guarantee the furniture would be repairable and that he wouldn't have bought the furniture if he'd been told about potential replacement issues if the leather was later discontinued.

Our investigator didn't think the complaint should be upheld as she felt the settlement offers were fair.

Mr C disagreed. He said the warranty was sold to cover all three items that were brought as a set, and it's not his fault the sofa couldn't be repaired. He repeated that the offer doesn't help him and that the whole set should be replaced. He added that there isn't anything in the terms and conditions saying that if the furniture that is damaged can't be replaced the whole set won't be replaced.

## **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.

### *Our general position*

The Financial Ombudsman Service has dealt with complaints about this issue for many years and our position on what we think is fair and reasonable is well established.

It is a fundamental principle of insurance that insurance policies will only cover the cost of repairing or replacing an item that is damaged. So, if only one part of a set or suite (eg one door that forms part of kitchen units, or one chair that forms part of a three-piece suite) is damaged the insurer's contractual liability under the terms of the policy will only be for the cost of repairing or replacing damaged item.

However, consumers often feel that their policy should cover the cost of replacing the whole set. So they will be unhappy if they're offered a replacement item that doesn't match the remaining parts of the set. This is because before the damage they had a fully matching set and now they don't.

Our position is that a compromise is the fairest and most pragmatic solution – the compromise being that the insurer settles the claim for the damaged item and also pays the consumer compensation for the 'loss of match'. Mostly, but not always, we say that fair 'loss of match' compensation is 50% of the cost of replacing the undamaged parts of the set. It's very rare, if ever, that we'll consider fair compensation to be more than 50% of the cost of replacing the undamaged part of the set.

### *Mr C's warranty*

Mr C is correct in that the warranty covers all three furniture items. However, it only covers the cost of repairing damage caused to an item or the cost of replacing a damaged item – it doesn't cover the cost of repairing or replacing items that aren't damaged.

Of relevance to this complaint, the warranty says:

- if a repair or replacement isn't possible Fortegra will settle the claim by providing a replacement product or by making a cash payment
- Fortegra's maximum liability is the amount originally paid for the item(s), and
- any cash settlement is limited to the cost of repair or replacement.

In this case a repair wasn't possible. So, Fortegra was contractually required to settle the claim by replacing the sofa or by making a cash payment to Mr C.

### *Are Fortegra's settlement offers fair?*

As I've said above, although Fortegra was only contractually liable for the cost of replacing the damaged sofa we don't consider limiting the settlement offer to the cost of replacing the sofa fair if the replacement sofa won't match the existing items – which it won't in this case because the leather has been discontinued. The offer should also include compensation for the loss of match.

I'm satisfied that Fortegra's offer to replace the furniture up to £1,867 includes compensation for the loss of match. This is because the £1,867 is made up of the cost of the damaged sofa (£1,295) and 50% of the cost of the undamaged items (£1,144 x 50% = £572). Accordingly, I conclude that the replacement offer was fair as it represents Fortegra's maximum liability for the sofa and it includes additional compensation for the fact a new sofa won't match the remaining items.

The cash offer is half of the replacement offer. For cash offers the warranty says cash payments are at Fortegra's discretion and will be limited to the cost of replacement by Guardsman. The cost to an insurer of replacing a sofa is significantly less than the cost to a consumer – this is because insurers are able to negotiate (what are often significant) discounts from retailers. Fortegra has told us that the replacement cost of the sofa to it and Guardsman is set with the retailer at 50% of the original purchase price – which is why the cash settlement offer is 50% of the replacement offer.

As settling a claim by cash is at Fortegra's discretion and as cash payments are limited to the cost to Guardsman of replacing the sofa I conclude that the cash offer was fair.

### *Mr C's concerns*

Mr C has said it's not his fault the leather is discontinued and he won't be able to replace the whole furniture suite with what has been offered. It's not Fortegra's fault either that the leather was discontinued – it has no control over whether a manufacturer decides to discontinue a particular product.

I appreciate that neither offer will enable Mr C to replace the whole furniture suite. But it remains that Fortegra isn't contractually required to pay the cost of replacing the whole suite – it's only required to pay the cost of replacing the damaged sofa. And if the sofa can't be replaced or repaired with one that matches the remaining items the loss of match compensation is a fair compromise between Fortegra only paying what it's required to pay under the terms of the warranty and Mr C receiving the full value of the suite.

Mr C also said he wouldn't have bought the furniture if he'd been told about potential issues with matching replacements. I'm not persuaded that Mr C's decision to buy the furniture solely hinged on the cover provided by the warranty. This is because a decision to buy a warranty is usually only made once the decision to buy the furniture has already been made.

In any event, no furniture warranty covers the cost of undamaged items so this doesn't need to be drawn to a consumer's attention when the policy is sold. And if Mr C is saying that he will only buy furniture if there's a guarantee that it won't be later discontinued or unless a warranty guarantees that a replacement will match existing items or any replacement would be for the whole suite – which, in my view, is essentially what he is saying – then, as there will never be that guarantee, he's effectively saying that he will never buy new furniture. I don't think that's plausible.

But even if I found that the policy had been mis-sold Mr C would be in a worse position than he is in now because all I would ask Fortegra to do is refund the premium that he paid and to treat the warranty as void. So the amount he would receive is less than what Fortegra has already offered in settlement of the claim. And there wouldn't be any requirement for Fortegra to settle the claim as voiding the policy means that it was never in existence (so no valid claim could be made against it). So Mr C would receive less than what is currently being offered and still have the damaged sofa.

### *Summary*

For the reason outlined above, I conclude that Fortegra's settlement offers are fair.

Should Mr C now wish to accept either of the offers he will need to contact Fortegra directly.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 May 2025.

Paul Daniel  
**Ombudsman**