

The complaint

A complaint has been brought on behalf of limited company “J” by its directors, about Society of Lloyds’ (SOL) and its handling of a claim for stolen jewellery following a robbery.

What happened

J is a retail jewellery business which holds a Retail Jewellers’ Block Insurance policy with SOL. In October 2023, its premises were burgled and several items of jewellery were stolen.

The theft was reported to the police, and to J’s insurer. SOL accepted the claim and asked J for evidence of ownership of the items claimed for. J sent SOL the evidence it had in relation to the items, but SOL raised concerns over the claim for a diamond ring, for which J was seeking £80,000-£100,000. The ring had been entrusted to J on approbation and J said it had made regular payments to its supplier for the item. J said it subsequently bought the ring from the supplier in full and it was part of J’s stock at the time of the theft.

SOL agreed to provide a settlement amount of £25,000 based on the lack of sufficient evidence of ownership, as no purchase invoice had been provided showing the ring had been bought outright from the supplier. SOL therefore felt it was fair to settle for the value of the ring when it was first obtained on approbation.

J complained about the reduced settlement. It said it had provided all the evidence it had in its possession, to prove its ownership of the ring, and that the ring was now worth far more than the settlement offered. In its response to J’s complaint, SOL said J hadn’t provided sufficient evidence of ownership of the ring, or anything else that would indicate J had purchased the ring in full. It said the policy required J to keep detailed stock records and this condition precedent hadn’t been met. It offered J £250 compensation for some service issues and the inconvenience caused.

J didn’t accept SOL’s response to its complaint. It said the item was clearly shown in the stock book, as having originally been received on approbation. It said if the item was still on approbation then the supplier would’ve been chasing for payment, and there would’ve been an up-to-date approbation note. J said it hadn’t been recorded as sold either – as had other items in the stock records. So J referred its complaint to the Financial Ombudsman Service.

Our Investigator considered the complaint, and thought it should be upheld. She said SOL’s decision to pay a partial settlement for the ring based on the condition precedent was unfair. SOL didn’t agree, pointing again to the requirement for there to be detailed stock records. So the complaint has now come to me for an Ombudsman’s 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.

As this is an informal service, I’m not going to respond here to every point raised or comment on every piece of evidence J and SOL have provided. Instead, I’ve focused on

those I consider to be key or central to the issue in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm upholding this complaint. I'll explain why.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should handle claims. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). ICOBS 8.1 says an insurer must handle claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and give appropriate information on its progress; and not unreasonably reject a claim. It should also settle claims promptly once settlement terms are agreed. I've kept this in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

When making a claim on an insurance policy, it is for the insured – so in this case J – to demonstrate it's suffered a loss covered by the policy. If it can do so, then SOL will need to accept the claim unless it can show it can fairly rely on a valid exclusion or breach of a condition to decline it.

In this case, SOL has declined to settle the claim in full for the diamond ring, on the basis of the following condition precedent to liability:

“The Assured shall keep detailed stock records of all sales, purchases and other transactions and that such records shall be available for inspection by the Underwriters or their representatives in case of a claim being made under this Insurance.”

The inclusion of the above condition precedent to liability means SOL can effectively take steps to check the condition has been complied with before any cover is provided. Here, this meant SOL requested evidence of ownership of the diamond ring. And generally, for a theft claim to be successful, the policyholder has to provide proof they owned the item they're claiming for. This is a matter of common law and isn't always specified in insurance policies, although in J's policy I can see it says:

“The Assured shall, in the case of loss or damage...and in the event of a claim, give to the Underwriters such information and evidence of the loss or damage as the Underwriters may reasonably require and as may be in the Assured's power”.

So it's not unreasonable for SOL to require evidence of J's ownership of the ring. But J has said it's provided everything it possibly could've provided, given that the ring was purchased many years ago. I've therefore considered whether SOL has fairly declined the claim on the basis that sufficient proof of ownership wasn't provided by J, or on the basis that the condition precedent requiring detailed stock records wasn't met.

The evidence provided by J included the following:

- The original approbation note, showing the ring on approbation from July 2015.
- The stock book entry recording the item as “1248 - Ring 18ct WG Solitaire 5.01ct and Shoulders 1.00ct” on the same date as the date of the approbation note.
- Cheque stubs showing numerous payments to the supplier whilst the ring was on approbation.
- Several invoices showing the supplier only ever provided invoices noting “Assorted Goods” for example.
- A letter from the supplier confirming the ring was sold to J.

I've also considered the arguments SOL has presented, such as the lack of evidence of any communications between J and its supplier, and the inadequate stock records. Whilst I agree that generally, the lack of correspondence between two businesses which were exchanging high quality goods and significant sums of money would be unusual, the explanation given by J is, in my view, plausible, as the two businesses had "a very loose and beneficial credit agreement" with a "suboptimal method of keeping track of records, but one which works for both". J has said the supplier would invoice for assorted goods as they were often buying multiple things at once. And as the relevant items were exchanged over eight years prior to the claim, it's understandable that all communications wouldn't necessarily be available due to the passage of time. In any event, the retention of all correspondence isn't a requirement of the policy, nor is the requirement to present a purchase invoice.

Whilst I accept the handwritten stock records may be inadequate, the condition precedent to liability doesn't specify what the stock records must look like. It only says there must be "detailed stock records of all sales, purchases and other transactions".

Looking closely at the photographs provided of the stock book, I don't agree with SOL's assertion that the records kept weren't detailed. The handwritten pages detail the dates, the descriptions of each item, whether the item was on approbation from the supplier, the cost of each item, and whether the item was then sold or returned.

As far as I can see, the item in question wasn't recorded as sold to a customer or returned to the supplier – and it's unlikely to have still been on approbation from the supplier after so many years without an up-to-date approbation note which J would've likely been able to locate and provide. So, on the balance of probabilities, I think it's most likely the ring was purchased from the supplier and formed part of J's stock. This is supported by the letter from the supplier confirming he sold the ring to J.

In the circumstances therefore, I'm not satisfied that SOL has declined to cover the full cost price of the ring fairly. Whilst the condition precedent says detailed stock records of all sales and purchases must be kept, it does not say what sufficiently detailed stock records should look like, or that the insured needs to provide a purchase invoice. J has been able to show what I consider to be detailed records showing the ring was received, was in stock, and was not sold or returned.

I've considered the other evidence SOL has provided in support of its position, including a Final Decision by one of our Ombudsmen regarding a seemingly similar complaint. But previous decisions are not precedents, and every case is determined on its own merits. The circumstances of that case are notably different to this one too – for example, I can't see from that decision that there were any details of the item in a stock book, or any note of the item's clarity, cut, or carat weight. J has provided all of this information to SOL, and the information is noted in the contemporaneous stock records provided.

It's not my role to determine the value of the disputed item. But as the policy says the Basis of Settlement of any claim is "In respect of the Assured's own stock – Replacement Cost Price", I'll require SOL to settle the claim for the disputed item in line with the policy terms, together with interest.

I make no further compensation award for inconvenience as I consider the £250 offered by SOL for this to be fair and reasonable in the circumstances, as it reflects the impact on J's business of SOL's actions, in particular for the lack of communication between the date of the claim in October 2023 and the first contact from the loss adjuster in May 2024.

For the reasons set out above, I'm not satisfied SOL has declined to settle the claim for the stolen ring in full fairly and reasonably and I'm upholding J's complaint.

Putting things right

Society of Lloyd's should now settle the claim for the disputed diamond ring in line with the remaining terms and conditions of the policy. It should add 8% simple interest per annum from the date it paid J the initial settlement until the date it pays the remainder.

My final decision

My final decision is that I uphold this complaint, and I direct Society of Lloyd's to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 9 November 2025.

Ifrah Malik
Ombudsman