

The complaint

Mr S complains about the settlement offered by Liverpool Victoria Insurance Company Limited (LV) when he made a claim on a home insurance policy.

What happened

Mr S held a home insurance policy with LV which included a watch as a specified item with a stated value of £12,000. The watch was lost and Mr S made a claim.

LV accepted cover for the claim, and offered a settlement based on the watch's value being £600. Mr S was unhappy with this as the stated value on the policy documents was £12,000, and he believed the watch to be worth in excess of £14,000.

Mr S complained to LV and then our service. Our investigator thought LV's offer was fair, and that the value given when the watch was specified had been provided by Mr S.

Mr S didn't accept this and asked for an ombudsman's decision. He thinks his premium was significantly higher because the watch was specified with a much higher value than was offered and so the settlement should reflect that value.

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.

It isn't disputed that the watch in question was listed as a specified item on Mr S' policy, or that the value given for the watch was £12,000. My starting point here has been to consider what the policy terms and conditions say about how claims will be settled, and then looked at whether LV's offer is fair, in light of that and the value given for the watch as a specified item.

The policy terms and conditions addresses how claims will be settled by saying:

"If the loss or damage is covered by this insurance we'll agree with you whether to:

- arrange for repair or replacement using one of our suppliers; or
- pay the cost of repair or replacement; or
- make a cash payment."

In terms of a cash settlement, the policy says "If we're unable to offer repair or an equivalent replacement is not available, we'll pay the nearest cash equivalent or current market value of the item at the time of the loss or damage."

I'm satisfied that the terms and conditions don't give any indication or suggestion that the amount LV will pay for specified items is the value stated for the items on the policy documents. I consider the condition relating to cash settlement is clear in saying that the amount LV will pay for any item (whether specified or not) will be its value at the time of the loss, with the policy limit for items then taken into account. The effect of specifying an item is that the amount LV would pay would exceed the single item limit contained in the policy

documents, which in Mr S' case was £5,000.

LV's valuation of £600 was based on advice from a jeweller it appointed to assist with establishing a fair value for the watch. I'm satisfied it's fair for LV to rely on the jeweller's opinion, and I can see that the value they reached was based on enquiries which showed the model in question was no longer manufactured and second hand value for a similar watch was £600.

I've gone on to consider whether there are any grounds to ask LV to pay a higher value, more in line with the £12,000 value stated on the policy documents. I'd be minded to say this could be appropriate if that value had come from LV, or was supported by a valuation obtained before the loss. However, I don't think either situation applies here. I'm satisfied the valuation of £12,000 was given by Mr S when he took out the policy, as opposed to being given by LV based on a description or its own enquiries. Mr S said the watch was purchased a number of years ago for around £3,000, and there's no receipt for this or a pre-loss valuation of the watch, so I'm unsure where the £12,000 value came from. I can't see any evidence that either LV valued the watch at £12,000 or that the watch had been independently valued at that amount before it was lost.

On that basis, I think the settlement offer was fair. The offer was based on an expert's assessment, and that assessment was supported by evidence. The £12,000 value seems to have been given by Mr S, but there's no evidence to support this value.

I've also considered the impact on the premiums Mr S was charged based on the watch being specified. There doesn't seem to be any dispute that specifying an item with a value of £12,000 meant the premium was higher than if it wasn't specified. I need to assess whether it was fair for LV to accept the risk, and charge more to do so, if it wasn't going to be liable for that value in the event of a claim.

I don't think it would be reasonable to have expected LV to have requested evidence of the stated value of the watch when Mr S took out his policy – to do so would create a situation where every specified item would need to be valued, and checked by the insurer before accepting cover. That would be unnecessarily burdensome in terms of administration and cost to an insurer, as well as potentially delaying cover starting while those assessments were carried out. That could lead to policyholders being without cover if previous policies have expired.

I'm also mindful that the £12,000 value was given by Mr S and I think it's fair to say that if he gives that value, it's his obligation to ensure it's accurate. If (as it seems now) it wasn't, then I don't think it's fair to say LV should refund an additional premium he was willing to pay when there's no error or omission on its part. I don't think it's reasonable to say that where a policyholder gives a value of an item which is much higher than its actual value, then the insurer should be liable to repay the additional premium it fairly charged in the event that it becomes apparent the value was incorrect. I'm satisfied a policyholder, in this case Mr S, has a responsibility to ensure the value they give an insurer for an item when insuring that specific item is accurate and supported by evidence.

My final decision

I don't uphold Mr S' complaint.

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

Ben Williams
Ombudsman