

The complaint

Mr H and Mrs M complain about the cash settlement value offered by Liverpool Victoria Insurance Company Limited (LV) for a home insurance claim.

Mr H and Mrs M's policy was underwritten (at the time of the initial claim) by an insurer which is now part of LV, but was then separate. LV accepts it is liable for the settlement of the claim, and the complaint about it is properly brought about LV. For ease of reference I'll refer throughout my decision to LV.

Similarly, I'll refer within this decision to LV's voucher supplier, which was acting on its behalf and whose actions LV is liable for.

What happened

Mr H and Mrs M held a home insurance policy now underwritten by LV. In 2011 they had items stolen from their home and made a claim. The claim was accepted and as settlement of the claim, Mr H and Mrs M were offered a voucher so that they could purchase replacement items.

Mr H and Mrs M didn't use the voucher, and this was re-issued multiple times over the intervening period. In March 2020, the voucher was re-issued again. In March 2021, Mr H and Mrs M asked for it to be re-issued as the expiry date was approaching and they'd been unable to use the voucher due to COVID restrictions.

Mr H and Mrs M were subsequently told the voucher couldn't be re-issued again and so LV made a cash settlement offer. This cash offer was less than the voucher value.

As they were unhappy with this offer, Mr H and Mrs M complained to LV, and then our service. Our investigator thought LV's cash offer was appropriate and fair in the circumstances. Mr H and Mrs M disagreed and asked for an ombudsman's decision.

My provisional decision

I previously issued a provisional decision on this complaint. In that provisional decision, I said:

Due to the length of time since the original claim, the policy documents outlining the relevant terms and conditions are no longer available. However, it seems to be accepted that these did state LV had the option to resolve claims by way of a cash settlement or a voucher. LV (through its supplier) sent a voucher to Mr H and Mrs M and as this wasn't used and expired, it was re-issued on a number of occasions between 2013 and 2020. The relevant occasion for this decision is the final re-issue in March 2020.

On that occasion, an email sent by the voucher supplier confirming that the voucher would be re-issued included the following statement:

"Please be advised that this will be the last time we will be able reissue a card to you . Any funds remaining on your card after the expiry date will be returned to your insurer. Your

insurer may issue you a cash settlement which may be less than the balance on the card. This is because any cash settlement excludes the discounts your Insurer receives from [the supplier] and could substantially reduce the amount you receive.”

In March 2021 Mr H and Mrs M asked the supplier to re-issue the voucher. They were aware it was due to expire but said they’d been unable to use it due to COVID restrictions and shops being closed. In October 2021, the supplier confirmed to Mr H and Mrs M the funds had been returned to LV.

LV subsequently offered a cash settlement but this was for around £600 less than the value of the voucher. LV says this is because that was what it paid the supplier for the voucher with the value issued to Mr H and Mrs M.

I’ve seen evidence that the amount offered as a cash settlement is the same amount LV paid (and subsequently received back) from the supplier. I’m therefore satisfied its cash offer was the same amount it would have paid for the voucher. I know Mr H and Mrs M believe the difference to be excessive and not representative of the discount LV may have received, but I’m satisfied its offer was fair and based on the liability it had for the claim. Insurers will often receive preferential rates from suppliers, which aren’t available to members of the public.

That would seem to be the case here. Where an insurer has offered to use its supplier (as LV did here) but that offer isn’t taken up (for whatever reason) by the policyholder, we’d generally say that it’s reasonable for an insurer to limit a cash settlement to the amount it would have paid its supplier. That’s what LV did. It provided vouchers from its supplier for the full value, but that wasn’t used by Mr H and Mrs M.

I note Mr H and Mrs M’s point about COVID and the restrictions this placed on travel and trading, and I understand this would have made using the voucher difficult during that period. However, I also have to take into account that there had been multiple occasions on which the voucher had been re-issued, for the full value, between 2013 and 2020. I think it’s fair to say Mr H and Mrs M could have used the voucher, without restriction, during that period.

Similarly, I’m aware the purchasing power of the voucher in 2020 would have been less than in 2013, due to inflation and the increase in prices, but again it was open to Mr H and Mrs M to use the voucher when they first received it. I don’t think it’s reasonable to expect LV to pay more in settlement of the claim because they didn’t do so.

On balance, I think LV’s cash settlement offer was fair. It had been explained to Mr H and Mrs M in 2020 that the voucher wouldn’t be re-issued again and that if it wasn’t spent by the time of its expiry then the cash settlement they received could be less than the value of the voucher. LV’s shown the cash settlement value was fair, and I’m satisfied it’s acted reasonably in making that offer.

However, I do think there were elements of the service provided to Mr H and Mrs M which were below the required standard. This was around the communication with them when they asked for the voucher to be reissued in March 2021.

Mr H and Mrs M contacted the voucher supplier in early March 2021, around three weeks before the voucher was due to expire. In that email they didn’t reference the correspondence from March 2020 where they were informed the voucher couldn’t be re-issued again. The supplier responded, asking for the details of the voucher and that they would then look to re-issue it. It wasn’t until October 2021, after being chased by Mr H and Mrs M for an update that the supplier confirmed the funds had been returned to LV and the voucher couldn’t be re-issued.

I think there was an avoidable delay in this being communicated to Mr H and Mrs M and haven't seen an explanation for it taking several months, and several occasions on which Mr H and Mrs M contacted the supplier, for them to be told this. I'm also satisfied that the initial response in March 2021 (albeit likely influenced by Mr H and Mrs M's request simply to re-issue the voucher due to COVID restrictions, rather than referencing the email where they were given specific advice the voucher wouldn't be re-issued) could have created an impression that the voucher could, and would, be re-issued.

In light of these points, I think LV should pay £100 compensation. I think this fairly recognises the impact of the delays and inconvenience caused by chasing the supplier, and the upset caused by the impression that the voucher could be re-issued. However, the compensation amount is limited by the fact that Mr H and Mrs M should reasonably have known the voucher couldn't be re-issued, and that the decision not to re-issue the voucher was fair, as I've already outlined.

The responses to my provisional decision

Both parties responded to my provisional decision. LV said it had nothing further to add. Mr H and Mrs M disagreed with my findings. In summary, they said:

- They believe the provisional findings to be unfair and punitive.
- The voucher issued in 2020 didn't work online, and COVID restrictions meant they couldn't go to a shop.
- They agreed the voucher had been reissued between 2013 and 2020, but they'd been unable to use it. In any case, the complaint was about LV's refusal to reissue the voucher in 2021.
- There were exceptional circumstances which meant the voucher issued in 2020 couldn't be used.
- There had been a lack of communication from LV and the voucher supplier, and a lot of contact from them to ascertain what was happening.
- LV should be asked to reissue a voucher for the original amount, with an increase to reflect inflation and rising costs since March 2021, when it should have been reissued.

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.

I remain satisfied that the outcome I'd previously outlined remains appropriate in the circumstances. I'm grateful to Mr H and Mrs M for the detailed response they provided to my provisional decision. While I may not address all of the points they've made, I've considered their response in its entirety.

I don't intend to repeat my findings, and reasoning which I previously outlined in detail. I'll focus here on Mr H and Mrs M's points, and why I'm not minded to require LV either to reissue a voucher, or increase the settlement it offers. I think the points made by Mr H and Mrs M fall into two broad categories:

- That the exceptional circumstances during the period from March 2020 to March 2021 meant it wasn't possible to use the voucher, and in light of that the voucher should have been

reissued.

- That the supplier's actions in March 2021 indicated the voucher would be reissued, and this should be honoured. There was a significant delay to this being resolved and required Mr H and Mrs M to contact the supplier and LV on numerous occasions.

I'm aware Mr H and Mrs M would like LV to reissue a voucher for the original amount. They believe LV will have suitable arrangements in place to enable a voucher for that amount to be issued. I don't think it would be right for me to do so. LV may have ongoing relationships with voucher suppliers, but it isn't my place to establish on what contractual basis those are available, and the rates and discounts LV have agreed with such suppliers. That's potentially commercially sensitive information relating to LV's business practices and contracts.

What I could do, if I thought it was appropriate, would be to ask LV to increase the cash settlement paid to Mr H and Mrs M (with the possibility of interest being added to take into account inflation and rising prices). However, I'm not persuaded I should do so, for the reasons I've previously outlined.

With regards to the period between March 2020 and March 2021, I acknowledge this was a period of significant disruption to trading rules and Mr H and Mrs M's ability to use the voucher. However, I'm also conscious that even within that period there were times when shops were able to be open, albeit with potential restrictions on the number of customers who could enter premises. I don't think it would be fair to say that COVID restrictions completely prevented Mr H and Mrs M from using the voucher. I accept that it would have been more difficult to do so but I have to balance that against the fact they were clearly informed the voucher wouldn't be reissued again. I also have to consider that there were multiple occasions before 2020 when they could have spent the original voucher (or the earlier reissues) without any such restrictions. I don't think it would be fair to ask LV to increase the cash settlement to the same value as the voucher, as I've said previously.

Turning to the actions of LV and the supplier in March 2021, when Mr H and Mrs M asked for the voucher, I've previously noted that the service provided wasn't up to the required level, and said LV should pay £100 compensation to recognise this. I can't agree with Mr H and Mrs M that the actions of the supplier, by indicating in one email that they would look to reissue the voucher if further information was provided, means LV should be asked to increase its settlement to match the face value of the voucher. When I consider the previous correspondence Mr H and Mrs M had received, which clearly stated the voucher wouldn't be reissued again, I can't agree that one email should replace the clearly stated position of LV and its supplier.

I do agree that LV and its supplier could, and should, have been clearer and responded sooner to Mr H and Mrs M about the voucher and LV's position regarding settlement of the claim. I remain satisfied that the £100 compensation I've proposed is reasonable and recognises the upset caused to Mr H and Mrs M because of that.

My final decision

I uphold Mr H and Mrs M's complaint in part. In order to put things right, Liverpool Victoria Insurance Company Limited must pay them £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs M to accept or reject my decision before 15 July 2025.

Ben Williams

Ombudsman