

The complaint

Mr W complains about Tesco Underwriting Limited (“TUI”) and the offer made to settle the contents claim he made on his home insurance policy, following a theft at his home.

Mr W has been represented by his son during the claim and complaint process. For ease of reference, I will refer to any actions taken, or comments made, by either Mr W or his son as if they were taken or made by Mr W himself.

What happened

The claim and complaint circumstances are well known to both parties. So, I don’t intend to list these chronologically in detail. But to summarise, Mr W held a home insurance policy, underwritten by TUI, when two watches were stolen from his home. One of these was a ladies watch, which this decision considers.

Initially, TUI declined the claim. And our service considered a complaint about this, directing TUI to reconsider the claim without referring to the original exclusions they had applied. TUI did so and accepted the claim, offering Mr W a settlement of £4,000 less the policy excess. Mr W was unhappy about this, so he raised a complaint.

Mr W set out why he thought this settlement was unfair, considering the policy he held stipulated any item that wasn’t repairable would be replaced, or cash settled, on an “new for old” basis. So, Mr W thought TUI should pay him the full policy limit amount of £9,000, considering the watches valuation as new, when the theft took place.

TUI didn’t agree. They thought their offer was a fair one, based on an “offer to buy” quotation Mr W received for the watch in the days prior to the theft. So, they didn’t agree their settlement should be increased. Mr W remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and upheld it. Both parties have had sight of this outcome, and the follow up clarification, so I won’t be recounting it in detail. But to summarise, our investigator didn’t believe the “offer to buy” document TUI used to calculate the “new for old” replacement value was a valuation that was fair to rely upon. And they noted the loss adjuster TUI appointed to manage the claim obtained a valuation from a jeweller, valuing the watch at over £10,000. So, they thought TUI should use this valuation when deciding the “new for old” amount and directed TUI to pay the additional amount on top of the original settlement offered to take the settlement to the policy limit, plus 8% simple interest on this amount from the date the original settlement was offered, to the date of payment.

Mr W accepted this recommendation. But TUI didn’t. In short, TUI thought they were fair to use the “offer to buy” quotation obtained in 2022, as the watch in question could no longer be purchased new as a replacement. So, they thought their cash settlement offer was a fair one and didn’t agree it should be increased.

As TUI didn’t agree, the complaint has been passed to me for a 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.

Having done so, I'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In this situation, I note our service directed TUI to reassess the claim under a separate complaint reference. And following this, TUI chose to accept the claim and propose a settlement of £4,000, less the policy excess. So, my decision has been made on the basis the claim has been accepted, and it will focus solely on the settlement offer TUI has proposed, to decide whether this was made fairly and reasonably and importantly, in line with the terms and conditions of the policy TUI provided.

I've read through the policy terms and conditions at length. And these make clear under the *"How we settle your claim"* section that TUI *"will pay for the cost of reinstating, repairing or replacing your buildings and/or contents which are covered by the policy. We will decide whether to reinstate, repair, replace, or pay you the cash value"*. In this situation, the watch was stolen and so couldn't be repaired. And it's not in dispute that the specific make and model of watch couldn't be replaced. So, I'm satisfied TUI acted fairly, and in line with the terms and conditions, when offering Mr W a cash settlement.

But crucially, the terms and conditions go on to explain that *"All replaced items will be on a new for old basis. Where we have offered to repair or replace an item and you instead request for us to pay a cash value, we will not pay you more than the amount it would have cost us to repair or replace the item"*

In this situation, Mr W didn't explicitly request a cash settlement, where a replacement was available, as a replacement wasn't. But this wasn't the fault of Mr W. So, I'm satisfied that any cash settlement TUI pay should ensure Mr W is in the same position he would have been had a replacement been possible and so, any settlement amount paid should be based on a new for old amount.

TUI have explained why they believe they were fair to calculate this amount based on the "offer to buy" quotation Mr W received from a jeweller in the days before the theft. But TUI have accepted themselves in correspondence I've seen that they accept this quotation wasn't a valuation. As this was an offer to buy, I'm satisfied it's reasonable to assume this offer was made on the basis the watch would be bought at a lower value, with the intention of the jeweller selling it on for profit. So, I can't agree that it's fair for TUI to base their settlement on this figure as they have. Because of this, I'm satisfied TUI's settlement offer proposed to Mr W is an unreasonable one and I've then turned to what I think they should do to put things right.

Putting things right

When deciding what TUI should do to put things right, any award or direction I make is intended to place Mr W back in the position he would have been, had TUI acted fairly in the first place. In this situation, had TUI acted fairly, they would have proposed a cash settlement offer to Mr W that was reasonable, and fell in line with the "new for old" condition set out within their policy terms and conditions.

In this situation, I note the loss adjuster TUI instructed to manage the claim on their behalf

obtained a replacement valuation for the watch from an independent jeweller, based on its valuation at the time of its loss. And this jeweller provided a replacement value of £10,300. So, without any other valuation to compare this to, considering the 2022 “offer to buy” wasn’t a valuation, I’m satisfied this is the replacement value TUI should use when calculating their cash settlement payment.

But I do note the watch was specified on Mr W’s schedule of insurance for £9,000. So, I wouldn’t expect TUI to pay Mr W more than this specified amount, as the policy terms also make clear that *“the most we will pay for any one claim for valuables, bicycles or any other specified item is the maximum claim limit shown in your schedule”*. From reading Mr W’s correspondence with TUI, and our service, I’m satisfied he is already aware of this limit and understands the amount his watch was specified for is the amount he should receive.

So, considering the above, I’m directing TUI to ensure Mr W received a total cash settlement of £9,000, less the policy excess. It’s my understanding Mr W has already received the initial settlement paid of £4,000, less the excess, so TUI should ensure Mr W receives an additional payment to ensure he receives a full and fair settlement.

Further to this, I’m directing TUI to pay 8% simple annual interest on the additional amount above the £4,000 already offered, and paid, to recognise the time Mr W has been without access to these funds, as had TUI acted fairly, this additional amount would have been offered at the same time as the lower original offer. This interest payment should be calculated from the date of TUI’s initial offer to the date of payment.

My final decision

For the reasons outlined above, I uphold Mr W’s complaint about Tesco Underwriting Limited and I direct them to take the following action:

- Pay Mr W the additional amount remaining to ensure he receives a full cash settlement of £9,000 less his policy excess; and
- Pay 8% simple annual interest on the additional amount above the original £4,000 offer they made, from the date they made the original offer to the date of payment.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 9 October 2025.

Josh Haskey
Ombudsman