

The complaint

Mr W has complained about the service provided by Lloyds Bank General Insurance Limited ('Lloyds') in relation to a claim under his home insurance policy. For the avoidance of doubt, the term 'Lloyds' includes reference to its agents and representatives.

What happened

Unfortunately, Mr W was involved in an accident whilst riding his bicycle, having been crashed into by a third party. It's not known whether the police or third-party insurers had been contacted. Nevertheless, Mr W contacted Lloyds on 7 April 2025 as it was his home insurer at the relevant time. It informed Mr W that it had processed his claim for nearly £7,400. Mr W didn't receive the payment and contacted Lloyds. Lloyds then informed Mr W that it had decided to pay a maximum of £5,000. It refused to pay for accessories he'd purchased separately. Mr W was unhappy about Lloyds' decision as he'd specifically asked about accessories when he took out the policy and said that he was assured they would be covered under '*personal possessions, away from the home*'.

In its final response to Mr W's complaint, Lloyds said that it would partially uphold the complaint as it agreed that its service had been poor, that there had been mistakes in its communication and that there had been a loss of expectation for Mr W. It paid £300 in compensation together with interest on the £5,000 settlement figure as payment had been delayed. Mr W wasn't happy with this offer and wished to be paid the amount originally offered, and so he made a complaint to this service.

The service's investigator didn't uphold Mr W's complaint as she considered that Lloyds had provided a fair and reasonable response to it. Mr W remained unhappy about the outcome of his complaint however, and the matter has now been referred to me to make a final decision in my role as Ombudsman.

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 Lloyds has acknowledged that it made a mistake when it offered, and started to process, payment of nearly £7,400 to Mr W, the key issue for me to determine is whether the remedy it offered was fair and reasonable. On balance, I consider that Lloyds has responded in a fair and reasonable manner. In reaching this decision, I've considered the submissions of the parties as summarised below.

I turn firstly to Mr W's submissions. He said that 14 days after being promised payment he'd contacted Lloyds, only to be informed that it was no longer prepared to make the payment of nearly £7,400. He'd supplied documentation to support each item included in the claim. As the bike was a specialist item, Lloyds' agents accepted that a like for like replacement couldn't be procured, and that a cash settlement was appropriate. The agent had asked questions about some of the accessories and accepted that these weren't part of the standard bike and had been added by Mr W.

Mr W thought that these accessories were covered under the ‘away from home’ aspect of his personal possession cover. The agent ultimately offered cash settlement figures for each individual item, and Mr W said that the figures totalled over £8,000. Mr W said that he telephoned Lloyds on 10 April 2025 and accepted the settlement sum. When Mr W had phoned Lloyds to query non-receipt of the settlement sum, he was informed that the payment had been blocked. The agent promised to find out why and to call back within 30 minutes. Four hours later, Mr W had to chase the matter up and was then told that he’d been given incorrect information about the level of settlement. Mr W was adamant that when he’d taken out the policy he’d asked about accessories and was assured by Lloyds that he would be covered under ‘personal possessions, away from the home’. Additionally, Mr W said that the bicycle didn’t come supplied with a saddle or pedals, so couldn’t be covered under the replacement cost of the bicycle.

Finally, Mr W said that Lloyds claimed to have no knowledge of clothing and safety equipment that he’d itemised on the claim, despite photographic evidence being supplied and its agents providing settlement values for each item. It did however state that it would revisit the claim to look at these items. Mr W said that Lloyds had only finally settled for some of the claimed items in October 2025, but without interest being paid on these items. Mr W stated that; *‘The final settlement value I have received is still some way short of the settlement value I had accepted and had been told had been paid’*. Mr W said that having received confirmation that the figure of just under £7,400 had been paid, he’d acted on this information and had sourced a replacement bicycle, components and safety equipment. Having suffered from the accident itself, Mr W had received some comfort that he was going to be able to replace items. It had caused Mr W significant distress and financial loss, having been told that the settlement figure wouldn’t be honoured.

I now turn to Lloyd’s submissions in response to Mr W’s complaint. It recognised that Mr W had experienced ‘poor service, delays, and loss of expectation of settlement’ and said that its compensation had recognised this. It noted that its agent had confirmed settlement of the claim to be for just under £7,400 net of the policy excess and was made up of £5,000 for the bicycle and the remainder for accessories. It said that the claim was reviewed before authorisation due to the value of the settlement. It was at this stage that it was found that the settlement was incorrect, and the payment was stopped.

Lloyds stated that the maximum for which the customer could insure a bicycle on the policy was £5,000. It stated that bicycle parts ‘such as wheels, seats and pedals form a fundamental part of the bike’s functionality and is therefore not considered to be an accessory’. It argued that such items should be incorporated within the overall value of the bike to ensure that it is fully covered. In the circumstances, it maintained the position that the correct settlement was £5,000, being the maximum allowed under the policy. It stated that its agents were subsequently assessing other accessories such as helmet and gloves.

As to bicycle parts and their accessories, Lloyds said that these weren’t covered under personal belongings section of the policy. It listened to the telephone call when the bicycle was added to the policy as a specified item in October 2023. It said that the advisor had made it clear that upgraded parts would be incorporated as part of the whole value of the bicycle and that the maximum value was £5,000. It also noted that Mr W had advised that the total value of the bicycle was to £5,000 and had asked what proof was needed if he had to claim. It was satisfied that there was no mention of covering accessories or the upgraded parts under the personal belongings section of the policy. As such, it didn’t uphold the element of Mr W’s complaint about being allegedly advised that bike parts were covered under the personal belongings section of the policy.

Finally, as to the service it had provided to Mr W, Lloyds stated that it was clear that Mr W hadn’t received the level of service that Lloyds would strive to provide its customers, and that

this was very disappointing. It noted that Mr W wasn't contacted to advise that the payment had been stopped due to an error with the settlement offered. Lloyds also recognised that an additional settlement of just over £600 was owed to Mr W and that there had been a delay in making this payment.

I now turn to my reasons for not requiring Lloyds to take any further action in relation to Mr W's complaint. The starting point for complaints of this nature will be the terms and conditions of the relevant insurance policy as these form the basis of the insurance contract between the customer and insurer. In this case, Mr W's policy documents under the section related to '*bikes and their accessories*' makes it clear that Mr W had purchased cover for the relevant bicycle up to the limit of £5,000 and that an excess of £350 applied. As for '*personal belongings*', the policy definition states that it doesn't include bikes, electric bikes and '*any parts or accessories for them*'.

Mr W accepted that an error may have been made by Lloyd's, and he said that he fully understood the policy wording and what it covered. The core issue and where his concern lay however was with the handling process undertaken by Lloyds in managing his claim. He didn't think that it was correct to reduce a settlement amount after it had been confirmed on no less than three separate occasions. I agree that Lloyds provided a poor service here. It would no doubt have come as a shock to Mr W to have accepted a cash settlement of £7,400 in good faith and for this not to be honoured. Nevertheless, I can't say that it would be appropriate for Mr W to receive a settlement to which he was not entitled. It is however fair and reasonable that Mr W should be compensated for the poor service and for the loss of expectation. The question for me to determine however is whether the compensation paid by Lloyds for its acknowledged failures was fair and reasonable.

I agree with Mr W that Lloyds had multiple opportunities to '*identify and correct a clear error in the settlement amount*'. I also agree that Lloyds should review its processes to ensure that customers aren't informed that a payment has been made, when in fact it has not. It's also of concern that the error was only communicated when Mr W chased Lloyds for the promised payment. I therefore agree that there had been a relatively serious failure in communication and claims management here. In addition to this I note that Lloyds appeared to have failed to pay a further sum of just over £600 in a timely manner, and it's for Mr W to decide whether he wishes to pursue this issue which arose after Lloyds sent its final response letter in relation to Mr W's initial complaint.

This service's approach to compensation which it considers to be fair and reasonable is set out in published guidance. I consider that in this case £300 is within the range of compensation we would expect a business to pay for this type of service failure. On balance, when added to the small interest payment for late settlement of the £5,000, I consider that £300 was a fair and reasonable amount of compensation. Whilst the clear disappointment caused by Lloyd's mistake will have been limited in timescale, I nevertheless consider this to be a mistake which obviously led to a loss of expectation and considerable disappointment. I appreciate that Mr W would have liked to have received an amount of compensation which reflected the amount which he thought he was going to receive in settlement. However, on balance, I'm satisfied that £300 is a fair and reasonable sum in compensation to reflect the seriousness of Lloyd's error in this case.

My final decision

For the reasons given above, I don't uphold Mr W's complaint, and I don't require Lloyds Bank General Insurance Limited to do any more in response to his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 December 2025.

Claire Jones
Ombudsman