

The complaint

Mrs C and Mr C complains about the service they received from AXA Insurance UK Plc (AXA) about a claim made under their home insurance policy for damage to a laptop and tablet device.

References to AXA include their agents who administer and carry out services under policies.

What happened

Mrs C and Mr C had a home insurance policy with AXA which included accidental damage to contents. In March 2023 an accident at home caused damage to a laptop and tablet device. Mrs C and Mr C had the devices assessed at a store of the manufacturer for a replacement of the laptop. Mrs C and Mr C then contacted AXA to make a claim. After some delay, the devices were collected for assessment.

AXA deemed both devices to be beyond repair and so needed to be replaced. They initially offered vouchers to the value of £949 for the laptop and £1,019 for the tablet (which Mrs C and Mr C accepted). However, they weren't happy accepting vouchers from AXA's preferred supplier, so AXA offered £1,840.09 as a cash settlement for both items (including a retail discount) before deduction of the £150 policy excess. Due to the time taken assessing the devices, Mrs C and Mr C then purchased a replacement laptop directly from a retailer, at a cost of £1,339. Together with the initial voucher offer for the tablet of £1,019 this made a total of £2,358. The manufacturer of the devices estimated the replacement cost of the items as £2,268 (which Mrs C and Mr C would have been prepared to accept from AXA).

Mrs C and Mr C said the cash settlement offer meant they would be £517.91 out of pocket, compared to the £2,358 figure (before deduction of the excess).

Unhappy at how AXA had handled their claim and the settlement figure offered, Mrs C and Mr C complained. AXA partially upheld the complaint, acknowledging in their final response Mrs C and Mr C logged the claim towards the end of March 2023, but due to a system issue it wasn't picked up until just under a fortnight later. At that point the claim was discussed with Mrs C and Mr C and AXA appointed their electrical specialists (B) to handle the claim. AXA apologised for Mrs C and Mr C being told B would contact them, when this was incorrect, as AXA had all the information they needed to process the claim.

Mrs C and Mr C then complained to this Service, unhappy at the delays in dealing with their claim. They said they were out of pocket on replacement of the devices, and they'd spent a lot of time trying to resolve the situation, which they estimated had cost them £2,252 in lost earnings or having to take time off (or £6,000 in chargeable time). They were also unhappy at AXA's policy of offering vouchers, which they thought misleading, as they would always offer vouchers (not 'may' offer, as the policy wording indicated) or a lower cash settlement. They wanted AXA to accept errors they'd made handling the claim and settle the full value of the claim and compensate them for their lost time and the stress of what had happened.

Following Mrs C and Mr C's complaint, AXA made an offer to settle the complaint. In a further final response, they said the cash settlement offered by B less the policy excess of £150 was fair. AXA noted B had said the replacement laptop model and tablet device were available from a retailer. AXA also referred to the policy terms and conditions which provided that a cash settlement offered wouldn't exceed the amount AXA would have paid their preferred supplier. So, AXA concluded the cash settlement offered was correct. But AXA acknowledged how long it had taken for them to respond to Mrs C and Mr C, awarding £25 as a goodwill gesture. This was in addition to the £25 previously awarded.

Mrs C and Mr C didn't agree it was a fair offer and disagreed the replacement laptop model offered was a like-for-like replacement. They'd contacted the manufacturer, who told them a different model would be the nearest, currently available laptop for the damaged laptop and had a larger memory and better performance.

Our investigator then considered the complaint, together with AXA's offer. She noted Mrs C and Mr C had accepted the replacement tablet device was like-for-like, so didn't consider that aspect of the complaint further. On the laptop, she thought the replacement model offered by AXA was a reasonable match to the damaged laptop. There might be more than one replacement product that could be considered reasonable, and the model offered by AXA appeared to match the specification of the damaged laptop.

On the offer of vouchers by AXA, the investigator noted the policy terms allowed AXA to offer vouchers to settle a claim. Where the vouchers enabled a reasonable replacement to be bought, this was a reasonable approach. And she thought the replacement laptop Mrs C and Mr C could have obtained with the voucher was reasonable. AXA received a discount on the face value of the voucher, which meant the cash value equivalent they would offer would be less than the face value of the voucher. She concluded it was reasonable for AXA to offer a cash settlement at the cost to them of the voucher.

On the delay in assessing the claim, the investigator noted AXA accepted there was a delay between Mrs C and Mr C telling AXA about the damaged devices and AXA picking up the claim. But she didn't think AXA caused any significant delays. Mrs C and Mr C bought a replacement laptop towards the end of April, so they could have used the voucher or cash settlement offer to do this and then subsequently challenged AXA over the amounts. She also thought the further £25 offered by AXA for the delay was reasonable.

Mrs C and Mr C disagreed with the investigator's view and requested an ombudsman review the complaint. In disagreeing, they raised several points. First, the delay in AXA assessing the claim created significant pressure on them to buy a replacement laptop, as it was used for business purposes. Second, the replacement laptop model offered by AXA was a discontinued model, so it was no longer a current model. The policy provided for a new replacement to be offered, so they thought AXA offering a discontinued model was a breach of contract. As their damaged laptop was no longer available, the nearest available replacement model from the manufacturer's website was what they thought they should have been offered. Third, they'd spent many hours pursuing their claim, affecting their ability to carry out their business (their right to work). And the loss of their damaged laptop had a major impact on their business, as it was used for business.

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.

In disagreeing with the investigator's view, Mrs C and Mr C also raised concerns about the way the investigator reached their view, following AXA's further offer to settle the complaint. These concerns relate to the process followed by the investigator in reaching their view. My

role here is to decide whether AXA have acted fairly towards Mrs C and Mr C, based on the evidence and information available. It isn't to assess the process followed by the investigator when reaching their decision. If Mrs C and Mr C have concerns about that process, they can raise them through a separate service complaint process.

Looking at the circumstances of the case and the evidence and information available, while I've considered all the issues and points raised by Mrs C and Mr C, I think there are three key issues. First, the time taken by AXA to assess the claim and make a settlement offer, and what Mrs C and Mr C say is a significant impact on their business. Second, that the cash settlement offered leaves Mrs C and Mr C out of pocket. On this issue, I've noted the key area of disagreement is about the suitability of the replacement laptop model offered by AXA (compared to what Mrs C and Mr C think would be a suitable replacement, based on their contact with the laptop manufacturer).

I've noted Mrs C and Mr C accept the valuation of the tablet device offered by AXA, so this isn't an area of dispute and therefore I haven't considered it in detail, although looking at the respective specifications of the damaged tablet and the replacement model offered by AXA, the latter appears to match the specification of the former, if not better in some respects (such as camera resolution and RAM capacity).

Third, there's AXA's policy of offering vouchers for replacement devices, or a cash settlement at a lower value than vouchers.

I've first considered the time taken for AXA to assess the claim. AXA acknowledge, in the initial final response, that Mrs C and Mr C logged the claim towards the end of March 2023, but due to a system issue it wasn't picked up until just under a fortnight later. AXA's case notes confirm the claim wasn't created until the beginning of April 2023, that the screens of both the laptop and tablet were smashed and the date of the incident as mid-March 2023. Once the claim was registered, the two items were arranged to be collected for assessment the following day. The case notes also record both items being deemed beyond economical repair five days later (for the laptop, as replacement parts weren't available due to its age) and six days later (for the tablet, as the cost of replacement parts meant it was deemed beyond economical repair).

The case notes record a replacement laptop was identified (at a major retailer) at a value of £913.94 (discounted retail value) on the same date the laptop was deemed beyond economical repair. The case notes also record a replacement for the tablet was identified the same day it was deemed beyond economical repair (at the same retailer at a value of £981.35). As set out earlier, a settlement offer for both items (in the form of vouchers for the major retailer) was made on the latter date (at values of £949 and £1,019 respectively). A policy excess of £150 would need to be collected separately.

From this timeline, it's clear there was an initial delay in AXA logging the claim and then assessing it and offering replacements, but once the claim was logged it was only a week to the point AXA offered vouchers for replacement devices. As this would include receiving and assessing the damaged devices, I don't think this is unreasonable. However, the claim should have been assessed more quickly, which would have caused distress and inconvenience to Mrs C and Mr C.

Mrs C and Mr C say this delay caused significant pressure on them to buy a replacement laptop, as it was used for business purposes. I can appreciate this, and I can see they purchased a replacement laptop later in April, after AXA made their offer of vouchers and then subsequently a cash settlement offer.

However, if – as Mrs C and Mr C say – the delay caused significant pressure on them given use of the laptop for business, I would have expected them to purchase a replacement laptop sooner. And as a home insurance policy, it isn't designed to provide business continuity where a piece of business equipment is damaged. So, it doesn't provide for a loan machine or same-day replacement or other arrangement to ensure a laptop was available to Mrs C and Mr C to continue their business.

So, I've concluded that while the initial delay caused some distress and inconvenience, I don't think it's reasonable for me to require AXA to compensate Mrs C and Mr C for any impact the loss of use of their laptop may have had on their business.

The case notes indicate Mrs C and Mr C were reluctant to accept vouchers for the retailer in question, as well as questioning the replacement laptop model identified by AXA (referring to what they'd been told by the manufacturer would be an appropriate replacement model). AXA said they would use the most economical (to them) supplier (the major retailer). As an alternative, they could offer a cash settlement, but this would be at a discounted value compared to the value of the vouchers - £887.32 for the laptop and £952.77 for the tablet. To which the £150 excess would be deducted, leaving a net cash settlement of £1,690.09.

The case noted subsequently record Mrs C and Mr C challenging the offer (and the replacement laptop model offered) and having to accept vouchers for the retailer (May 2023). And the value being significantly less than the estimated replacement value provided by the manufacturer of the two devices. AXA respond to say they would only pay a cash settlement based on what they would pay for replacements, which would be less than the retail value due to discounts they could secure.

At this point, given the disagreement between AXA and Mrs C and Mr C, they brought a complaint to this service (June 2023).

Given the sequence of events set out above, I've considered whether AXA acted reasonably, in line with the policy terms and conditions. Looking at the policy, the following terms appear relevant.

AXA refer to the following wording under a heading *How we settle contents insurance claims*:

- *"We may repair, reinstate or replace the lost or damaged property. If we cannot replace or repair the property we may pay you the loss or damage in cash or cash alternative (including vouchers and/or store cards). Where we can offer repair or replacement through a preferred supplier, but we agree to pay you a cash or cash alternative, then payment will not exceed the amount we would have paid the preferred supplier..."*
- *"Where an excess applies, this will be taken off the amount of your claim."*

What the above wording makes clear is that it's AXA's choice of how to settle a claim. This includes the option to offer vouchers. Which is what AXA did initially when they assessed the two items as being beyond economical repair.

As Mrs C and Mr C were reluctant to accept vouchers from the retailer AXA had offered, then AXA offered a cash settlement. Again, this is in line with the above policy wording. The wording also makes it clear that where a cash settlement is offered, the value of the cash settlement offered won't exceed the amount AXA would have paid the preferred supplier.

As insurers typically have arrangements with preferred suppliers under which they are able to secure discounts because of the volume of business they place, this isn't unreasonable.

This covers the third issue about AXA's policy towards offering vouchers for replacement items under the policy and their approach to offering a cash settlement as an alternative.

Having concluded AXA in line with the policy terms relating to how a claim will be settled, I've then considered the issue of the suitability of the replacements offered by AXA (specifically the laptop replacement).

Looking at the respective specifications of the damaged laptop and the replacement model offered by AXA, the latter appears to match, and in some respects better, that of the damaged laptop. For example, screen resolution, speed of processor and RAM (though this may be due in part to the respective ages of the laptops, as more recent products benefit from advances in technology). I recognise what Mrs C and Mr C have told us about what they consider to be a more appropriate replacement model, but the question for me to consider is whether AXA have acted reasonably, in line with the policy terms and conditions, in the replacement they've offered.

The policy wording sets out the basis of replacement items, where these are offered, as follows (under the same heading *How we settle contents insurance claims*):

"We will settle claims for loss or damage to items which are beyond economic repair on a new for old basis as long as:

- The contents have been maintained in good repair;*
- The items being claimed for are within limits detailed in the schedule;"*

So, replacement items must be new items. While the policy doesn't explicitly state the replacement items must be equivalent to (or better than) the damaged items, I think it's reasonable to infer that they should.

Looking at AXA's case notes, they refer specifically to the replacement laptop offered as being available from their preferred supplier (and a price). Having followed the link to the supplier's website, I can see the model listed, so it was (is) available. While Mrs C and Mr C may prefer an alternative replacement model, it doesn't mean AXA have acted unreasonably or unfairly in offering the replacement model they did.

Together with my conclusion about the specification being equivalent to, and in some respects better than, the damaged laptop then I've concluded AXA offered a reasonable, new laptop model as a replacement for the damaged laptop, in accordance with the policy terms and conditions.

Having reached these conclusions, I've considered the other point raised by Mrs C and Mr C, that they'd spent many hours pursuing their claim, affecting their ability to carry out their business (their right to work). But as I've concluded AXA made a fair and reasonable offer of a replacement laptop, in line with the policy terms and conditions, then it wouldn't be reasonable to ask them to compensate Mrs C and Mr C for the time they say they spent pursuing their claim. Making a claim under an insurance policy necessarily involves having to spend time providing information and evidence to support a claim, and consequent inconvenience. But this doesn't mean an insurer should compensate a policyholder for that time – particularly where, as I've concluded, they've acted fairly and reasonably.

However, I have considered the distress and inconvenience caused by the initial delay assessing the claim, as I've set out earlier. I think some compensation for this would be fair and reasonable. AXA have offered a total of £50 in compensation and goodwill. Taking account of the circumstances of the case, I think this is fair and reasonable. My

understanding is that AXA have already paid this amount. That being the case, I won't be asking them to make any further payment.

My final decision

For the reasons set out above, it's my final decision not to uphold Mrs C and Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 1 February 2024.

Paul King
Ombudsman