

## The complaint

Mr D has complained about the way Admiral Insurance (Gibraltar) Limited handled a claim he made on his single trip travel insurance policy.

## What happened

Mr D is the policyholder, with his son also named on the policy. But as it is Mr D senior that has made the claim, I will just be referring to him in this decision.

Mr D lost some prescription sunglasses whilst on holiday in June-July 2023 and so made a claim on the policy. He valued his loss at £347, which was the original purchase price of the glasses. So, with the £50 excess, he thought he would receive £297. But Admiral made a deduction for depreciation and settled the claim for £158.20.

## 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've carefully considered the obligations placed on Admiral by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for Admiral to handle claims promptly and fairly, and to not unreasonably decline a claim.

With regard to a claim for personal belongings, the policy covers:

*'Up to the policy limits shown in your policy schedule, if your personal belongings are lost, stolen or accidentally damaged during your trip. The most we will pay in respect of single items or for valuables is as shown in your policy schedule.'*

The policy also states:

*'If your claim is successful, we will decide how to compensate you. This can include paying the cost of replacement, cost of repair or a cash payment. No payment will amount to more than the original purchase price of the item. If the item is more than a year old we may reduce the policy limits to allow for wear and tear.'*

Mr D had purchased the sunglasses in 2019, making them four years old at the time they were lost. Admiral has applied a formula of deducting 10% per year for wear and tear. As the sunglasses were four years old, the settlement amount was reduced by 40% of the purchase cost, plus the £50 excess.

Mr D says he understands that this would be reasonable for some items, such as clothing. But he says that sunglasses don't wear with age or with normal use. Additionally, he has said that the sunglasses were effectively new as they had been stored away since purchase. He had only started to use them in 2023 as his prescription had changed and it was only then that he found them comfortable to wear.

Mr D has pointed out that glasses, rather than just being 'personal belongings', are listed under the definition of 'valuables', implying that they are different and classed as items that will not be subject to the normal wear and tear clause.

'Valuables' are a sub-set of 'personal belongings', to denote them as items of usually higher worth. They are set out as such due to being subject to additional criteria within the policy. For example, valuables are not covered if left in checked luggage or a tent, whereas items such as clothes would likely be covered in those scenarios. I haven't seen anything in the policy wording that would lead me to conclude that valuables would not generally be subject to a deduction for wear and tear.

Although Mr D views the deduction as irrational and illogical, the policy terms make it clear that any personal belongings (which includes valuables) may be subject to such a deduction. I appreciate what Mr D has told us about the condition of his sunglasses at the time of their loss. The question for me is whether it was reasonable for Admiral to apply its usual process of making a deduction for wear and tear, based on the evidence it had available, and in line with the policy's terms and conditions.

It is the case that Admiral does not provide details of its depreciation formula within the policy document. But 10% per year is in line with what this service considers to be reasonable and proportionate.

I've thought very carefully about what Mr D has said. But, overall, given that the sunglasses were four years old, I think that Admiral has applied the policy terms

### **My final decision**

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mr D to accept or reject my decision before 16 November 2023.

Carole Clark

**Ombudsman**