

The complaint

Mrs T complained that Lloyds Bank General Insurance Limited ("Lloyds") who provided home insurance asked her to re-pay part of her cash settlement as Lloyds had identified it had made a mistake and had paid too much. Mrs T had representation for the complaint, but for ease and simplicity I'll only refer to Mrs T.

What happened

When Mrs T made a claim for her damaged TV, Lloyds offered her a cash settlement based upon the information supplied by her. Mrs T was offered £2,089, however, when Lloyds came to make the payment its systems would only allow a payment of £2,000 which was the limit on the policy. This error was explained to Mrs T promptly, but as she was unhappy she raised a complaint.

Whilst the complaint was being investigated, Lloyds realised it had made a significant error as it had paid a settlement based upon an 85" model as opposed a 55" model. Lloyds said if it had calculated the settlement correctly it would've offered a cash settlement of £719 less the £100 policy excess (so £619). So, Lloyds overpaid by £1,380.

Lloyds has asked Mrs T to repay this overpayment in instalments but has paid £100 goodwill for the poor service provided. Mrs T is unhappy as she said she's already spent the settlement money - £999 on a replacement TV and the rest has gone on household bills. Mrs T wants Lloyds to honour their original offer.

Our investigator decided not to uphold the complaint. She thought Mrs T would've know the settlement was excessive and could've questioned it. She thought it was fair for Lloyds to only pay what it would've cost to provide the replacement TV, so thought it was reasonable for Lloyds to recover the overpayment. She also thought £100 compensation was fair in the circumstances. Mrs T disagreed, so the case has been referred to an ombudsman.

My provisional decision

I made a provisional decision on this on 19 October 2023. I said:

"The purpose of an insurance policy is to indemnify a policyholder from financial loss or damage. In other words, Lloyds should put Mrs T back in the position she was in before the damage occurred to the TV. Therefore, I don't think it's fair if Mrs T benefits from a genuine error made by Lloyds. I also don't think Lloyds have been reasonable in the settlement it is expecting to pay, so I do partially uphold this complaint and I'll explain why.

Under the policy, Mrs T was entitled to receive a new TV of a similar quality to her old TV. Lloyds has explained, it could've provided a replacement TV for £719, so if it had cash settled at that level it would've paid Mr T £619 to take account of the £100 policy excess. It made Mrs T aware of the error as soon as it became aware of it.

However, I don't think this is relevant, as Lloyds didn't replace the TV. Lloyds chose to pay a cash settlement, although because of its error this was higher than it should've been

(£2,000). Although Lloyds paid this higher value, I think Mrs T should've realised it was excessive given she'd bought a similar TV for £849 only a few months earlier. So, I don't think it should come as a surprise to Mrs T that Lloyds has said it made an error.

On receiving the settlement payment, Mrs T bought a new TV to replace the new one. It was a slightly newer model, but the intention was to buy something similar, and she said she paid £999 for it. Buying the TV has indemnified Mrs T, so I think it would be reasonable for Lloyds to pay Mrs T what it cost her for the TV, less the policy excess (i.e., £999 less £100, so £899).

Lloyds has already paid Mrs T £2,000, which is more than what I think Lloyds should reasonably have paid. I think it's fair for Lloyds to re-coup the overpayment. Therefore, I intend for Lloyds to be allowed to re-coup £1,101 from Mrs T in a minimum of 12 equal monthly instalments (i.e., £2,000 less £899). Mrs T must provide a receipt of the new TV to Lloyds to validate this calculation. If she doesn't within 28 days of this decision, Lloyds can re-calculate these payments to reflect what it would've cost Lloyds to provide a replacement TV (less £100 excess).

I appreciate Mrs T has said the remaining money has been spent on bills, but I think Mrs T should've expected to pay her own bills anyway. I don't think it's fair she benefits from a genuine error. I think the £100 compensation paid for the distress and inconvenience caused is fair, as I think Mrs T was able to get a replacement TV promptly".

Responses to my provisional decision

Lloyds accepted my provisional decision and clarified the events from its perspective. Lloyds explained it provided a settlement in line with the terms and conditions of the policy. However, it felt it could've handled the claim slightly better and communicated more clearly with Mrs T, so Lloyds have decided to accept my decision so the complaint can be closed promptly for Mrs T.

Mrs T accepted my provisional decision, and she didn't have anything further to add.

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 both parties have accepted my provisional decision, I will leave the decision as it is.

My final decision

My final decision is I part uphold this complaint. I require Lloyds Bank General Insurance Limited ("Lloyds") to:

- Re-coup £1,101 from Mrs T in a minimum of 12 equal monthly instalments. Mrs T must provide a receipt of the new TV to Lloyds to validate this calculation. If she doesn't within 28 days of this decision, Lloyds can re-calculate these payments to reflect what it would've cost it to provide a replacement TV itself (less the excess).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 22 November 2023.

Pete Averill

Ombudsman