

The complaint

Mrs W complained that Admiral Insurance (Gibraltar) Limited ("Admiral") provided an unfair settlement under her home contents cover.

What happened

Mrs W made a claim when she lost one of her diamond earrings. Admiral accepted the claim, but Mrs W was unhappy with the way Admiral proposed to settle the claim.

As Mrs W hadn't specified the earrings as a high-risk item on the policy, Admiral said Mrs W was underinsured. It said it would cap its liability in line with the policy terms and conditions, which was £1,000 for unspecified items.

Mrs W wanted the settlement paid in cash so she could purchase a single earring from the same jeweller she bought the original set from. Admiral offered a £1,000 voucher to allow Mrs W to purchase a replacement earring from one of its network of jewellers. However, it offered a cash settlement of £670 as it said that's how much the voucher cost to it. Mrs W wants a cash settlement for the full £1,000, as she said she can't buy a single earring from the jewellers in Admiral's network (so would need to contribute to the cost). She said the £670 cash settlement isn't enough for her to buy a single earring from her own jeweller.

Our investigator decided to uphold the complaint. Whilst he thought Admiral had applied the terms and conditions from the policy, he didn't think Admiral's proposed settlement was fair as he didn't think it had put Mrs W back in the position she was in before the loss. Admiral disagreed, so the complaint has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 14 November 2023. I said:

"From the information I have I can see Mrs W has accepted Admiral's decision to apply the £1,000 policy limit for an unspecified item. Admiral has been fair in the application of the policy here, so I won't consider this point any further.

I've checked what Admiral's obligation under the policy is. It sets out how a claim should be settled. It states:

"We will decide to either:

- repair the item*
- restore the item (for example, use professional cleaners for carpets)*
- pay the cost of repairing the item*
- replace the item as new, or*
- pay in cash or vouchers up to the amount we could repair, restore or replace the item for.*

The most we will pay under any one contents section is the contents sum insured shown in your Home Policy Schedule, unless the particular section states a maximum limit that will

apply. We will not reduce the sum insured after a claim, as long as all replacements and repairs are made”.

I think the policy is clear that the choice of settlement is Admiral's. By offering the voucher it has assumed Mrs W can replaced the earring through its network of jewellers. However, Mrs W can only do this if she buys a pair, which would require her to contribute to the overall cost as it would be over the £1,000 voucher level.

Mrs W asked for a cash settlement so she could buy the single replacement earring from her own jeweller where she knows a match for the original exists. Admiral said it would only offer a £670 cash settlement, as that's the discount it gets when it buys a voucher from its network of jewellers.

I don't think this is the fairest solution to put Mrs W back in the position she was in before the loss. Therefore, I uphold this complaint. I intend that Admiral should be given the opportunity to replace the lost earring on a like for like basis, as that's one of the remedies set out in the policy. Admiral needs to do this pro-actively rather than offering a voucher and expecting Mrs W to shop around. Admiral needs to find someone who will just make/provide a single like for like earring (so she doesn't have to contribute).

If Admiral can't source a single earring, I intend that it should cash settle the claim for the cost of a single like for like earring. Mrs W should provide a valid receipt for Admiral to base its settlement upon. The maximum cash settlement should be £1,000 in line with the policy terms.

Should Admiral replace the earring and Mrs W proves it is not an exact match to the original (in style and quality), Mrs W would be able to raise a new complaint”.

Responses to my provisional decision

Admiral didn't respond to my provisional decision.

Mrs W is concerned if Admiral try to match the earring there may be further issues for her, so she'd prefer the cash settlement of £1,000.

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 understand Mrs W's viewpoint, but I think if Admiral do choose to go through the route of replacing the missing item, it will ensure it is done professionally, as any further complaint on this matter is likely to be viewed rather negatively. As Admiral maybe able to do this cheaper than providing a cash settlement, then I think it's fair to offer this opportunity.

My final decision

My final decision is I uphold this complaint, I require that Admiral Insurance (Gibraltar) Limited:

- replace the lost earring on a like for like basis – it needs to do this pro-actively rather than offering a voucher and expecting Mrs W to shop around. Admiral needs to find someone who will make/provide a single like for like earring (so she doesn't have to contribute), or

- if Admiral can't source a single earring, I intend that it should cash settle the claim for the cost of a single like for like earring. Mrs W should provide a valid receipt for Admiral to base its settlement upon. The maximum cash settlement should be £1,000 in line with the policy terms.

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

Pete Averill
Ombudsman