

The complaint

Mr W complains about Aviva Insurance Limited's ("Aviva") offer to settle his claim under his mobile phone insurance policy.

What happened

Mr W's phone was damaged, so he made a claim to Aviva under his policy. Aviva weren't able to source a replacement phone, so they offered a cash settlement of £1,029, which represented the cost of a refurbished phone. Mr W asked for the claim to be cancelled as he wanted a new phone. Mr W then made another claim and, as Aviva still weren't able to source a replacement phone, they again offered a cash settlement – but this time they offered £901. Mr W complained about the settlement offer being less than what was originally offered. Aviva responded and explained, under the terms and conditions of the policy, they offer a cash settlement if they're unable to find a suitable replacement. Aviva said, they'd reviewed the amount Mr W was offered and it was based on the current market value of Mr W's phone and was a sufficient amount to purchase a phone of the same make and model. Aviva said they acknowledge Mr W was offered a higher amount when he made the first claim, but this claim was cancelled. They said the later offer reflects the current market value of Mr W's phone.

Our investigator looked into things for Mr W. She thought Aviva hadn't treated Mr W unfairly in relation to the claim settlement. Mr W disagreed so the matter has come to me for a decision.

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.

Having done so, I've decided not to uphold the complaint. I understand Mr W will be disappointed by this but I'll explain why I have made this decision.

Mr W says the first cash settlement offer was based on a refurbished phone from the manufacturer, but the second cash settlement offer was based on the selling price on a website Mr W has never heard of, and he doesn't feel comfortable buying from this website. Mr W says the phone is still showing as being worth £1,029 from the manufacturer and he queries whether Aviva will reinstate this offer. Mr W says he places more trust in a refurbished phone from the manufacturer rather than from a website which has received negative reviews from customers.

My starting point is Mr W's mobile phone insurance policy booklet. This sets out the terms and conditions and describes the steps Aviva will take when handling a claim. The policy says Aviva will replace a phone if it's damaged and the replacement phone they provide are refurbished models. The policy booklet then refers to replacement phones and says, *"We'll always try to provide you with the same make and model of phone...In the unlikely event that we are unable to source a suitable replacement, we may at our sole discretion, make a*

settlement in vouchers or cash...based upon the price you paid or the current retail value of the phone, whichever is less."

Aviva have provided claim notes which show Mr W first made a claim in March 2023 and was offered a cash settlement of £1,029 as Aviva couldn't source a replacement. Aviva explained this offer was based on the manufacturer's refurbished model. The notes say Mr W explained he didn't wish to continue with the claim as he wasn't happy with the cash settlement value, and it being based off the value of a refurbished phone. Mr W then called again a couple of months later to reinstate his claim. Mr W then chose the replacement option. Aviva, again, weren't able to source a replacement phone so they offered a cash settlement – but this time the amount was £901. Mr W wasn't happy with the settlement amount and cancelled his claim. Aviva say the market value for Mr W's phone had changed since the previous offer, so the cash settlement had been reduced to reflect this.

I understand Mr W is concerned about Aviva's original cash settlement – and this being based on a refurbished replacement phone. The policy terms and conditions do say the replacement phones are refurbished models which come with a warranty, and the refurbished stock will be in an 'as new' condition. The terms and conditions go further to say, in the event Aviva aren't able to source a replacement phone, they will offer a cash settlement based on the current retail value of the phone. So, from the information I've seen, I can't say Aviva have acted unfairly. The information shows they've acted in line with the terms and conditions by basing the settlement amount on a refurbished phone. I note Mr W was concerned about this, but the phones come with a warranty which matches, either the period of time a customer had left on their original phone's manufacturer's warranty or 12 months, whichever is greater. So, even though I can't say it's unfair for Aviva to offer a refurbished phone, there is the additional benefit of a warranty to provide reassurance to a customer.

I've then looked at the cash settlement amount. Aviva have provided information showing how they arrived at their cash settlement of £1,029 and £901. The information shows the original offer was based on the manufacturer's refurbished phone and shows this being available to buy for £1,029. The second offer is based on a website selling the phone. So, I'm satisfied Aviva have, in line with the terms and conditions, based their settlement offer on the retail value of the phone. I acknowledge the settlement has been reduced between the two claims, but it's not unreasonable to expect prices to fluctuate over time. I do understand there was only a period of around two months between the claims, but the information shows, on both occasions, Aviva based their settlement offer on the retail value. So I can't say they've acted unfairly if the offer of £901 – while lower than the previous offer – reflects the retail value of the phone at the time of the second claim.

I can see Mr W has provided evidence which shows the refurbished phone is still being advertised for £1,029 on the manufacturer's website. Mr W has also raised concerns about the website offering the phone for £901 – and he has provided screenshots showing reviews from customers. Aviva say the policy makes no guarantee where the phone may be purchased from and, when Mr W first claimed, the refurbished phone from the manufacturer was the only place to source the phone within a reasonable timescale. I can see that changed at the time of the second claim and a phone was being advertised, with a lower retail value, from an alternative seller.

I do understand Mr W is frustrated by the offer being lowered, but the policy terms and conditions don't set out a requirement for Aviva to only base the retail value off the manufacturer's website. The policy allows for there to be flexibility when searching the market in order to establish a retail price – and that's what Aviva have done here. It's not unusual or uncommon for the price to go down over time – so I can't say Aviva have acted unreasonably here as they've followed the terms and conditions, as well as a fair approach, in searching the market to arrive at a settlement offer.

I wish to reassure Mr W I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 23 October 2023.

Paviter Dhaddy
Ombudsman