

The complaint

Mr H complains AXA Insurance UK Plc ('AXA') has unfairly applied an exclusion to decline the part of a claim he made under his home contents insurance for a stolen bicycle.

What happened

Mr H took out a home contents insurance policy with AXA. In that policy Mr H set out a number of specific items to be insured, including three bicycles. One of these bicycles had a specified sum insured of £2,300, which I'll call 'bicycle three'. The policy schedule set out an endorsement that applied to bicycle three:

*'Pedal Cycle Security Endorsement
Theft in respect of unattended pedal cycles specified on your Policy exceeding a value of £2,000 is excluded unless secured by a "[certifying organisation]" gold or silver graded approved lock designed for pedal cycles.'*

Unfortunately Mr H was burgled in September 2018, with tools and the three specified bicycles being stolen from his shed. Mr H claimed for this under his AXA policy, and explained the three bicycles were locked together and to a steel bicycle rack secured to the shed's inside wall. AXA agreed to pay for the tools and two of the bicycles. But AXA said it wouldn't pay for bicycle three because the pedal cycle security endorsement applied and Mr H hadn't provided evidence to show he'd complied with this endorsement.

Mr H complained to AXA about this. In its final response, AXA said Mr H hadn't provided sufficient evidence of the lock he'd used to secure bicycle three, but it would review things once Mr H provided this. Mr H remained unhappy and brought his complaint to our service in February 2019. But our investigator didn't think AXA had treated Mr H unfairly.

In July 2019 Mr H provided AXA with the handwritten receipt for the bicycle lock which he said showed he'd complied with the endorsement. Mr H explained he'd bought the lock from a private seller along with a motorbike and other items. And after he contacted the seller asking if they had any evidence of the sale, it turned out Mr H had accidentally left the receipt with the seller at the time of the sale. The receipt itemised the lock as a *'[brand] [range] combi lock'*.

AXA reconsidered Mr H's claim for bicycle three in light of this receipt but decided the cycle security endorsement hadn't been complied with and so declined Mr H's claim for bicycle three for a second time. Mr H made a new complaint to AXA about its second claim decision. But in its final response to Mr H's new complaint, AXA didn't change its position and said any claim delays stemmed from waiting for information from Mr H and from the police.

In January 2020 Mr H brought his new complaint to our service. He was unhappy AXA had again declined his claim for bicycle three and thought AXA had deliberately delayed things by engaging a loss adjuster and asking the police for information.

Our investigator spoke to AXA and Mr H. AXA clarified it declined the claim for bicycle three because Mr H's receipt suggested the lock didn't contain a chain which AXA thought would

have reasonably been expected to be included in order to lock up bicycle three. And because Mr H hadn't shown bicycle three was secured by the specific lock required by the endorsement. And the police report didn't shed any light on this.

Mr H provided photos of the motorcycle and other items he'd purchased from the private seller along with the lock, to show this transaction happened and the receipt was genuine.

After looking into things, our investigator said the policy required bicycle three to be secured with a '... "[certifying organisation]" gold or silver graded approved lock designed for pedal cycles.' But that AXA said the receipt Mr H provided was for a combination padlock. So she thought AXA had acted fairly by declining Mr H's claim for bicycle three.

Mr H disagreed with our investigator. He provided product screenshots of the type of lock he said he'd had, to support his argument that the receipt showed he had the type of lock required by the policy endorsement. But our investigator didn't change their view and thought the receipt didn't amount to proof of purchase for the lock.

As agreement couldn't be reached, Mr H asked for his complaint to be referred to an ombudsman. Before his complaint was passed to me for a decision, our service asked AXA why it thought the lock itemised on Mr H's receipt didn't comply with the endorsement. AXA said the receipt didn't say the lock was '[certifying organisation]' rated as the endorsement required. And Mr H hadn't shown bicycle three was secured by the lock in the manner required by the endorsement.

Mr H's complaint then came to me for a decision. I issued my provisional decision on 30 June 2021, in which I said:

'I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I need to be clear that in this decision, I'm not considering AXA's first claim decision regarding bicycle three. That's because our service has already considered that matter under a separate complaint. Instead, what I'm considering here is AXA's second claim decision and how long that took, after Mr H provided AXA with the lock receipt in July 2019.

AXA has accepted that Mr H was burgled and the items Mr H has claimed for were stolen, because it has settled most of the claim except for bicycle three. And it seems to me that despite some initial concerns, AXA now accepts that the receipt Mr H has provided for bicycle three is genuine, because it's not disputing that the receipt is genuine – what it's instead disputing is whether the receipt shows Mr H had the right kind of lock required by the endorsement and used it to secure bicycle three.

Since AXA has accepted that an insured event under the policy caused Mr H's loss, it's for AXA to show that Mr H hasn't complied with his policy's pedal cycle security endorsement. And having weighed up the evidence from both parties, I'm intending to say I don't think AXA has shown this. I'll explain why.

The pedal cycle security endorsement says bicycle three needed to be ...'secured by a "[certifying organisation]" gold or silver graded approved lock designed for pedal cycles.'

AXA says the lock itemised in Mr H's receipt doesn't have a chain. And that the receipt didn't say the lock was '[certifying organisation]' rated as the endorsement required. I've seen that Mr H's receipt doesn't specify the lock model or whether it was gold or silver graded. But the receipt does specify the brand of the lock and what range it belonged to. And it's my understanding that the locks in this range from this brand are all combination locks with an

integrated chain and either bronze or silver graded by the certifying organisation. Mr H has provided product screenshots from the internet to illustrate what specific model in the range he had – these show a silver graded model, as required by the endorsement. So I don't think AXA has shown that Mr H's lock wasn't of the type required by the endorsement.

I note AXA also says Mr H hasn't shown bicycle three was secured by the lock in the manner required by the endorsement. I think AXA is suggesting here that Mr H hadn't secured bicycle three using the lock. But Mr H's policy schedule and policy terms and conditions don't define what is meant by 'secured'. So the policy terms are ambiguous on this point, as they leave what is meant by 'secured' open to a reasonable interpretation.

From emails between Mr H and AXA and the video and photographs I've been provided with, I can see Mr H had a metal bicycle rack fixed to the inside of his shed. And his testimony is that the three bicycles were all secured to it using the lock in question and that the lock couldn't be found after the burglary so he assumed it was taken with the other stolen items. I think a reasonable person would consider a bicycle locked to a fixed metal rack inside a shed to be secured. And other than its comments, AXA hasn't provided me with any evidence to suggest bicycle three wasn't secured in this manner when Mr H was burgled.

I've considered the police report of the burglary to see whether it sheds any light on the type of lock Mr H had, or whether it was in use at the time of the burglary. But it doesn't mention a lock or how bicycle three was secured and there's nothing in it to suggest Mr H was asked about how his stolen items were secured. And the police didn't visit the scene after Mr H reported the burglary. So I don't think it would be fair to conclude from this report that Mr H didn't have the right lock, or that bicycle three wasn't secured with it.

As I've explained, it's for AXA to show that Mr H hasn't complied with the policy's pedal cycle security endorsement. And taking everything into account, I don't think AXA has shown this. Given this, I don't think it was fair for AXA to decline his claim for bicycle three on that basis. AXA has considered Mr H's claim twice now and hasn't told us of any other endorsements or exclusions it's relying on to decline the claim for bicycle three. So I think a fair and reasonable outcome here is for AXA to pay Mr H's claim for bicycle three.

Mr H has confirmed he hasn't yet bought a replacement for bicycle three. AXA's supplier quoted for a replacement bicycle with a suggested retail price of £2,299. However, Mr H no longer wants to use AXA's supplier and has provided a quote of £2,499 from his own supplier. I think it's fair to say the relationship between Mr H and AXA has broken down, so it's reasonable for Mr H to want to use his own supplier. And Mr H's own quote is reasonably close to the retail price from AXA's supplier. But the specified sum insured for bicycle three under the policy is £2,300, so Mr H isn't entitled to more for bicycle three under the policy. Therefore, I'm intending to say AXA should pay Mr H £2,300 in settlement for bicycle three.

As I think it was unfair for AXA to decline Mr H's claim a second time after he'd provided the lock receipt, AXA should add 8% simple interest to the £2,300 to compensate Mr H for not having use of this money. I understand from the records AXA has provided that it decided to decline Mr H's claim for bicycle three for the second time on 29 October 2019. So it should add 8% simple interest from 29 October 2019 to the date of settlement.

Mr H says AXA has deliberately delayed things by engaging a loss adjuster and asking the police for information. As I've explained, I'm only looking here at what AXA did after Mr H provided the lock receipt in July 2019.

I'm intending to say it's not unreasonable for AXA to have engaged a loss adjuster or asked for a police report while it was reconsidering Mr H's claim for the second time. These are things insurers often do, and in this case AXA engaged a loss adjuster and asked for the

police report in order to properly assess Mr H's claim, albeit I think it then reached the wrong claim decision.

And I don't think AXA caused any significant delays. It did take about two months for AXA to receive the police report, but I can see that in that time it was following this up and updated Mr H. So I don't think AXA was responsible for this delay, though I can appreciate it took longer than Mr H would like.'

AXA responded to my provisional decision and confirmed it had no further comments or evidence to provide. And Mr H accepted my provisional decision.

I've now gone on to make my final 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.

Mr H accepted my provisional decision and AXA confirmed it had no further comments or evidence to provide. Given this, I see no reason to depart from the conclusions I reached in my provisional decision.

Putting things right

AXA should pay Mr H £2,300 in settlement of his claim for bicycle three and add 8% simple interest to this amount from 29 October 2019 to the date of settlement.

My final decision

For the reasons set out above, I uphold this complaint. AXA Insurance UK Plc should pay Mr H £2,300 in settlement of his claim for bicycle three and add 8% simple interest to this amount from 29 October 2019 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 August 2021.

Ailsa Wiltshire
Ombudsman