

The complaint

Mr and Mrs S complain that Advantage Insurance Company Limited unfairly declined a claim under their contents insurance policy.

Where I refer to Advantage, this includes the actions of its agents and claims handlers for which it takes responsibility.

Whilst this is a joint insurance policy, this is Mrs S' claim, so for ease of reading I'll refer to all submissions being made by Mrs S.

What happened

In June 2023, Mrs S' ring finger swelled up to the point that she was unable to remove her engagement ring. After trying various ways to remove it and being unsuccessful, she called the local fire and rescue service as they'd been able to help her daughter who'd been in a similar situation previously.

Mrs S says the fire service said she was at risk of losing her finger if they didn't cut off her ring. As Mrs S felt she had no other choice, she agreed. She subsequently contacted Advantage to make a claim on her contents insurance for the loss of her engagement ring which is a specified item on her policy.

Advantage declined the claim on the basis the policy doesn't cover loss in these circumstances. It says there is only cover for the ring if it's lost or stolen, or for accidental damage. As Mrs S intentionally damaged the ring, Advantage didn't accept this was a sudden and unexpected accident, but rather that it had been caused on purpose.

Mrs S raised a complaint which she brought to our service. And our Investigator upheld it. She said Advantage hadn't declined the claim fairly as it was clear Mrs S didn't intentionally damage the ring – she'd had no other choice. She recommended that Advantage reconsider the claim under the remaining policy terms and pay compensation of £150.

Advantage didn't accept this outcome. It said Mrs S hadn't provided any proof from the fire service about what happened. But Mrs S said she wasn't given the opportunity to evidence her claim as it was declined outright over the phone. And she raises concerns whether that evidence would be available now given the amount of time that's passed.

As our Investigator was unable to resolve things, the complaint has been passed to me to decide.

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.

The Financial Conduct Authority's (FCA) Insurance Conduct of Business Sourcebook (ICOBS) requires Advantage to handle claims promptly and fairly, provide information on the claims progress, and to not unreasonably reject a claim.

It's not in dispute that Mrs S' engagement ring is covered under her contents policy for accidental damage. So I've considered the complaint on the basis that, if it's determined the ring was damaged accidentally, the claim will be met by the policy.

The policy defines "*accidental damage*" as "*sudden, unexpected and physical damage from an external identifiable cause which has not been caused on purpose*".

The policy also excludes "*deliberate loss or damage*" described as "*Any loss, damage, liability or bodily injury caused, or allowed to be caused, deliberately, wilfully, maliciously, illegally or unlawfully by you, your family or anyone lawfully in your home.*"

On a strict interpretation of the policy terms, I can understand why Advantage has reached the conclusion it has. The ring was cut off Mrs S' finger on purpose. But my role is not only to determine whether Advantage's decision was in line with the policy terms, but also whether the way the policy terms were applied was fair and reasonable in the circumstances of the claim. And I don't think it is. I'll explain why.

From the information provided, it's my understanding that Mrs S' finger swelled up suddenly and unexpectedly – it wasn't a gradual injury that occurred over time. She took advice from an emergency service and was given the option of cutting her ring off or risk losing her finger. In these circumstances, I can't agree Mrs S made a choice to cut her ring off, but rather that she had no other option but to do so.

I accept that insurance policies aren't designed to cover every eventuality and just because Mrs S was in an unfortunate situation it doesn't automatically mean her policy should cover her. But I'm not persuaded that it can be fairly concluded, on the information Advantage had at the time it declined the claim, that the circumstances amounting to Mrs S' loss were foreseen, expected, and on purpose.

Advantage says it has no evidence to support Mrs S' testimony of what happened. But my understanding is that Advantage declined the claim over the phone and didn't allow Mrs S the opportunity to submit her evidence. That doesn't seem fair.

For this reason, I don't believe Advantage has complied with its obligations under ICOBS to deal with the claim fairly and not unreasonably reject a claim. To put things right, I agree with our Investigator that Advantage should reconsider the claim under the remaining policy terms. Advantage is entitled to ask Mrs S to provide evidence to show she has a valid claim.

I've no doubt Mrs S has suffered distress and inconvenience as a result of having her claim declined without a proper investigation. I agree with our Investigator that compensation is warranted here, and I think £150 is fair and reasonable in the circumstances.

My final decision

For the reasons I've explained, I uphold this complaint and direct Advantage Insurance Company Limited to:

- reconsider Mrs S' claim under the remaining policy terms on the basis that these circumstances amount to accidental damage and are not a deliberate loss.
- pay Mrs S compensation of £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 25 March 2024.

Sheryl Sibley
Ombudsman