

The complaint

Ms D is unhappy with the level of excess WDP Insurance Limited said she would have to pay when she made a claim on her mobile phone insurance policy.

What happened

In August 2023 Ms D called WDP as she wanted to make a claim on her policy. WDP said an excess would be payable of £125. Ms D decided not to progress her claim as the excess was close to the replacement value of her phone. She complained the excess hadn't been reduced in line with the policy terms which said as a device decreased in value the excess would also reduce. And she thought it was unfair she'd have been provided with a refurbished rather than a new phone.

Our investigator initially said, as the cost of a replacement phone was broadly the same as the policy excess, WDP hadn't been on risk while that was the case. She thought it should refund the premiums Ms D paid for that period. However, WDP was able to evidence the value of the refurbished handsets it provided were more than the policy excess.

So our investigator accepted it was on risk. And she didn't think it needed to refund premiums to Ms D. But she thought the policy term as it related to the policy excess reducing as the phone depreciated was misleading and Ms D could have thought that would apply in her case. She said WDP should pay her £50 to recognise the distress she was caused when she realised that wasn't the case.

WDP agreed to do so. Ms D didn't agree. She said the policy term had misled her and it put her in a position where the cost of a refurbished phone was largely met by her though the payment of the policy excess. She thought the excess should have reduced as the phone aged and WDP had failed to action that. So I need to reach a 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.

The relevant rules and industry guidelines say WDP has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

I've looked first at the terms and conditions of Ms D's policy. She's suggested WDP should provide her with a replacement phone at a price equivalent to what she paid for the phone she was claiming for. However, the policy provides cover for "*your device*" which it says is the one "*shown on your welcome letter*". So it's covering the device itself rather than the amount Ms D originally paid for it. The policy also says "*Any replacement device you receive may be refurbished to our standard using original equipment manufacturer parts*". As a result I don't think WDP did need to offer Ms D a new phone or one that was equivalent in price to the one she was claiming for.

In relation to the excess the policy says "*Your monthly premium and claim excess fee (the amount you have to pay towards the cost of your replacement device to complete a claim) is based on the value of your device at the time of purchase and confirmed in your welcome letter*". It doesn't appear to be in dispute that the excess was £125. I'm also satisfied the value of the refurbished device WDP would have provided is significantly more than that amount. So I agree it was on risk during Ms D's period of cover.

I appreciate the policy also says "*As devices age they will fall in value and so from time to time we may adjust your excess fee downwards. Call us to find out your current excess fee*". WDP says it's clear from that any decision to reduce the excess is therefore at its discretion. I agree it is but I'd nevertheless expect an insurer to be able to explain the reasons for the exercise of that discretion.

In this case WDP has said it would reduce an excess where data indicated it was appropriate to do so and that would be the case where a consumer might be receiving poor value for money. That wasn't the case here because the value of the device Ms D would have received in the event of a claim was more than the policy excess. I think WDP has provided reasonable grounds for its decision in this case.

However, I appreciate the policy information could have set out more clearly the basis on which that discretion would be exercised. But I think the £50 WDP has now agreed to pay does enough to recognise any upset Ms D was caused on learning that her excess hadn't been reduced as she might have thought it would be.

Ms D has also expressed concern about what she was told when the policy was first sold to her. However, that's something she'll need to pursue against the business responsible for the sale (which from the information I've seen doesn't appear to have been WDP). It isn't something I'm considering in this decision.

My final decision

I've decided to uphold this complaint. WDP Insurance Limited will need to put things right by paying Ms D £50. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 11 April 2024.

James Park
Ombudsman