

The complaint

Mr L complains that Red Sands Insurance Company (Europe) Limited unfairly declined part of a claim he made under his home insurance policy.

Red Sands is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As Red Sands has accepted it is accountable for the actions of the agents, in my decision, any reference to Red Sands includes the actions of the agents.

What happened

In early 2023, Mr L made a claim under his home insurance policy with Red Sands after his garage was broken into and some items were stolen.

Red Sands agreed to settle part of Mr L's claim. However, it declined his claim for three stolen bicycles and some equipment. It said two of the bikes couldn't be considered because they hadn't been specified on the policy and they exceeded the £1,500 unspecified limit. It said the third bike couldn't be considered because the replacement value was more than double the amount it was specified for.

Red Sands also said it had no proof of purchase for the bikes or bike equipment Mr L was claiming for. If Mr L had anything to prove the purchase of the items, he should send it to Red Sands. It offered Mr L a cash settlement of £308.56 for tools and locks.

Mr L was unhappy with the outcome of his claim, so he raised a complaint.

Red Sands said it was a condition of the policy that any items worth £1,500 or over are individually specified on the policy. Only one of the bikes had been specified. This was insured for £2,800 net of the £200 excess but the replacement value was £6,650. It said Mr L hadn't provided Red Sands with the original receipt or valuation for the item he'd specified on the policy, so it was not something it could cover.

Red Sands said the other bikes were substantially more than £1,500 to replace, so these should also have been specified on the policy. It said its quote journey specifically asks to list items with a value to replace as new. So, these bikes weren't covered either.

Red Sands also said a policy condition required Mr L to lock the frames to an immovable object with a rigid bicycle or motorcycle lock. If it was just in a locked garage, it wouldn't be covered. It said the photographs Mr L provided indicated that the stolen bikes weren't locked through the frame to an immovable object.

Mr L remained unhappy, so he asked our service to consider the matter.

I issued a provisional decision on 24 January 2024, where I explained why I intended to uphold Mr L's complaint. In that decision I said:

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

Based on what I've seen so far, I intend to uphold Mr L's complaint. I'll explain why.

Locking bikes to an immovable object

Red Sands says the stolen bikes aren't covered because it believes that they weren't locked through the frame to an immovable object with a rigid bike or motorcycle lock. It says they wouldn't be covered if they were just in a locked garage. It says there was no sign of an immovable object and there was a further bike in the picture Mr L had provided that wasn't secured.

Mr L says the stolen bikes were secured to a bike rack that was attached to his garage wall. He's pointed this out in one of the images he'd previously sent to Red Sands. It's unclear why Red Sands doesn't appear to have accepted what Mr L has said about the bikes being secured to a bike rack in his locked garage when they were stolen.

In any event, I don't think the policy's terms and conditions make it clear that a bike needs to be secured to an immovable object when it's inside the garage.

Red Sands has referred to wording in the IPID which says:

"Theft of bikes outside the house is only covered while locked through the frame to an immovable object with a rigid bicycle or motorcycle lock."

Red Sands says that the garage doesn't form part of Mr L's house. "House" isn't defined in the policy. However, the policy schedule and wording document refers to: "The house including garage / car port known as (Mr L's address)" in the buildings section.

The contents section of the policy refers to "the contents of the house and garage known as (Mr L's address) that remain in the house and the specified and unspecified Personal Possessions below that You own or are legally responsible for..."

I note that the wording in the section for the bike that was specified as a personal possession item says Red Sands will pay for loss of a bike due to "Theft while left unattended and locked through the frame to an immovable object with a rigid bicycle or motorcycle lock."

However, the above wording appears to relate to a bike being stolen when it is away from home. I don't think it's clear from the policy wording that a bike stolen from the garage at Mr L's address wouldn't be covered if it wasn't also secured to an immovable object.

I think a reasonable interpretation of the policy's terms and conditions is that the bikes would fall under the contents section of the policy while stored in the garage of Mr L's home. And they would only need to be secured to an immovable object when away from Mr L's home.

In situations where policy wording is ambiguous or unclear, I think it's fair to apply the interpretation that's favourable to the party who didn't draft the contract. So, even if Red Sands was able to show that the bikes weren't attached to the bike rack on Mr L's garage wall, I don't think it would be fair for it to decline his claim for this reason.

Proof of ownership

Red Sands says it can't cover Mr L's claim for the bike that was specified on his policy because he hasn't provided suitable proof of ownership.

It's referred to wording on the policy schedule that says Mr L must pay for "any loss where You are unable to provide suitable proof of ownership..."

It's also referred to this wording:

"For any specified contents items listed that leave the home in this policy these require suitable proof of ownership for any claim to be paid for those items. This is either the original receipt in Your name specifically identifying the item or a signed professional valuation within three years of 26/08/2022 issued in Your name showing the date valued, a full description of the item, the unique serial number where the item has one, and where the valuer can be identified to check authenticity..."

Mr L has provided a valuation from March 2023. This was after the bike was stolen and seems to be based on photographs and descriptions provided by Mr L. So, I don't think it was unreasonable for Red Sands to say this didn't show proof of ownership.

Mr L says he wasn't able to provide receipts for the bikes because he builds bikes from parts. He's provided a number of receipts for various parts used to build the bikes as well as photographs of the bikes themselves.

Mr L also had to undergo a screening by one of Red Sands agents as part of the claim validation process.

The agent's post-screening report says:

"Mr L has provided a great deal of information since we spoke which has been included in an Appendix A. This helps to corroborate his account of how he has put these bikes together and his actions post loss... We have no further concerns with this claim and would recommend proceeding to settlement."

I appreciate the terms of the policy required Mr L to provide a receipt or a valuation. However, Mr L has provided a number of receipts and photographs and the investigation report from Red Sands agents shows there were no concerns about Mr L's claim. So, I don't think it would be reasonable for Red Sands to decline Mr L's claim for the bike specified on the policy on the basis of there being no proof of ownership.

Underinsurance

Red Sands also gave underinsurance as a reason for declining Mr L's claim. It's provided a document from an agent it instructed to value the items Mr L was claiming for.

The agent valued the items as follows:

- Bike 1: £4,199*
- Bike 2: £6,650*
- Bike 3: £10,499*
- Wheelset 1: £154.99*
- Wheelset 2: £1,300*

Bike 2 is listed as a specified personal possession on the policy. The other items aren't specified.

Red Sands says Mr L would have been asked to provide the new replacement value for items valued over £1,500 when taking out the policy.

From what I can see Mr L renewed his policy with Red Sands in mid-2022. When a consumer renews a policy, they take out a new consumer insurance contract. So, the questions Mr L was asked and information he was provided with at renewal is what is relevant here.

Red Sands has provided a screenshot of what it says Mr L would have seen when he added one of the bikes as a specified item. It looks like he entered £3,000 in the box next to "and would cost to replace as new."

I understand Mr L chose this figure because he bought the bike second hand. But I think its reasonably clear that Red Sands wanted to know what the cost would be to replace a brand new bike, rather than a second hand one. So, I think it was reasonable for Red Sands to conclude that Mr L gave an inaccurate answer here.

The policy schedule and policy wording says: "Any replacements will be on a brand new like for like basis or nearest equivalent in the market at the time." However, I can't see anything in the policy documents to warn Mr L of the potential consequences of not providing accurate information regarding the replacement costs of items.

Red Sands initially suggested that inaccurate information about the replacement cost of the bikes was a reason to decline Mr L's claim for them. However, its recently said that it is aware it cannot decline on underinsurance and that it would have proportionately reduced the settlement in line with the percentage of underpayment.

Red Sands hasn't provided any information to show what premium it would have charged Mr L if he had given accurate information about the replacement costs of the bikes. But I don't think this is necessary for me to reach a fair outcome to this complaint. I say this because there is a limit of £3,000 for the specified bike and a £1,500 limit for the other two bikes. The bikes appear to be worth considerably more than the limits. I don't think it would be fair to tell Red Sands to pay above the policy limits. Nor do I think this is what Mr L was expecting it to do when he raised his complaint. So, I think it would be fair for Red Sands to pay Mr L £3,000 for the specified bike and £1,500 for each of the bikes that weren't specified.

I understand Red Sands didn't offer to settle Mr L's claim for the two wheelsets because it wasn't satisfied he'd provided proof of ownership. It's unclear why Red Sands wouldn't accept evidence he'd provided to support this part of his claim. However, Mr L has sent us images and screenshots to support his ownership of these items. Both wheelsets fall below the £1,500 per item limit.

Our investigator recommended that Red Sands pay Mr L £1,300 for one of the wheelsets and £100 for the other one. However, the £100 was based on the price of a second hand wheelset. As the policy provides new for old cover, I think it would be fair for Red Sands to settle this part of Mr L's claim by paying the values given in its agent's valuation report (£1,300 and £154.99).

Mr L says he hasn't yet received the £308.56 Red Sands offered him for tools and locks, so this amount needs to be included in the total settlement. I can see that Red Sands has already taken the £200 policy excess when it paid for the replacement garage door.

Considering all of above, I think Red Sands needs to pay Mr L £7,763.55 to settle the remainder of his claim. It should also pay interest on the above amount at 8% simple interest per year from the date it made the cash settlement offer for contents (20 February 2023) to

the date the settlement is paid. The interest is to compensate Mr L for the time he has been deprived of the funds.

I think Red Sands handling of the claim and its communication with Mr L has been poor. The reasoning it has given for declining parts of Mr L's claim has been unclear and inconsistent. It doesn't appear to have properly considered information Mr L provided. I think this has caused Mr L some unnecessary frustration and inconvenience. So, I think it should also pay Mr L £150 to recognise the impact of its poor service on him."

I set out what I intended to direct Red Sands to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Mr L said he felt on the whole my provisional decision was an acceptable and fair decision / summary of the case. But he also made a few comments.

He said the policy documents only specified that proof of purchase valuations needed to be within three years of a certain date, not before or after an event. The valuations he'd supplied were based on numerous pictures and detailed descriptions he'd supplied to the cycle shop. He felt his valuation was just as valid as if it had been carried out before the theft. He said Red Sands didn't take up his offer to supply numerous witness statements to prove he owned the bikes.

Mr L said he didn't notice anything about "*and would cost to replace as new*" when he renewed the policy. Once he'd saved the change, it didn't mention anywhere on Red Sands customer portal, website or within the policy wording that bikes were meant to be insured for a new value.

He said I was correct in stating his expectations for pay out were in line with the amounts on the policy and not in excess of it. He had mentioned this numerous times to Red Sands.

Mr L felt that Red Sands was trying to refuse payment on any grounds it could, finding new reasons to decline the claim without consideration of what he'd said or provided.

Mr L said that although the suggested outcome was acceptable, he felt the £150 for distress and inconvenience was inadequate. He understood this had to be based on his distress and not his girlfriend's. However, every time the claim was refused it caused a huge amount of distress to both him and his girlfriend, who is autistic. Mr L was the one who had to calm his girlfriend down which could take hours or even weeks. He also commented that Red Sands initial refusal of the claim was delivered a few days into his and his girlfriend's holiday which Red Sands was aware of. He felt it should have waited until after the holiday to give bad news.

Red Sands said it disagreed with the proposed settlement amount because its limit of liability for the items less than £1,500 is £3,000. It said this is where the two bikes under £1,500 and the wheelsets would sit. It referred to a section of the policy wording beginning with 'unspecified personal possessions' and said it was specifically for items 'that you can or do take outside'.

Red Sands said the maximum level of cover provided under the policy received was:

- £3,000 for the specified bike

- £3,000 for the two bikes (not specified) and the wheelsets mentioned
- £308.56 for tools and locks
- 8% simple interest per year
- £150 for distress and inconvenience

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.

Red Sands says the cover provided was specifically for 'items that can or do leave the home'. It deems these as 'unspecified personal possessions.' It's accepted that the items should be seen as stolen from the house as they were taken from the garage. But it says the contents cover specifically refers to 'specified and unspecified personal possessions' which shows that the cover needs to be purchased in order to be covered inside the home. It says if cover is purchased for a 'personal possession' it is automatically covered in the house when the cover is included.

Red Sands says Mr L had only insured and paid the premium for 'unspecified personal possessions' to a total sum insured value of £3,000 (less excess), which would cover them to that value on any items that can or do leave the house, within the property that are each valued for less than £1,500. It says the unlimited cover is for everyday contents of the house which cost less than £1,500 to replace as new.

Red Sands has referred to the section of the policy beginning with "*unspecified personal possessions: Your items that You can or do take outside the house...*". This section says Red Sands will pay up to £2,800 for loss or damage to unspecified personal possessions while "*outside the house and within the United Kingdom*" caused by "*a sudden and unintentional act by You*" or "*theft*". However, Red Sands has also accepted that the items should be seen as stolen from the house as they were in the garage. So, I'm not persuaded that the wording in this section of the policy applies to Mr L's claim, given that it relates to theft while outside the house.

The section of the policy with the heading: "*The contents of the house and garage known as (Mr L's address) that remain in the house and the specified and unspecified Personal Possessions below that You own or are legally responsible for and the contents of the following outbuildings:*" doesn't state a total claim limit. It only refers to a limit for a claim for any one item. This section lists a number of insured perils including "*burglary while the house has all windows and doors closed and locked.*"

Given that the items were stolen from Mr L's locked garage, I think his claim should have been considered under the above section, with the relevant peril being burglary. As there is no total limit for a claim under this section, I don't think it would be fair for Red Sands to limit the payment for the two unspecified bikes and the wheelset to a total of £3,000. So, I'm not persuaded to change the amount of the settlement Red Sands should pay from what I said in my provisional decision.

I note Mr L's comments about the valuation he provided and lack of clarity about the replacement value he was expected to give. However, I've decided that Red Sands should settle his claim. So, I don't think I need to consider Mr L's points about this any further.

I acknowledge what Mr L has said about his girlfriend being upset and the knock on effect it's had on him. While I empathise with him, I can only really consider the direct impact of Red Sands' actions on Mr L. I also understand why he would have preferred not to receive bad news from Red Sands while he was away on holiday.

However, £150 is in the range of what our service would typically award where the impact of a business's mistake has caused the complainant more than the levels of frustration and annoyance that might reasonably be expected from day to day life. And I think it fairly recognises the distress, frustration and disappointment Mr L was caused as a result of Red Sands' decision to decline his claim as well as the inconvenience he experienced trying to persuade it to accept his claim. So, I'm not persuaded to increase my award for distress and inconvenience.

Putting things right

Red Sands should:

- Pay Mr L £7,763.55 to settle the claim and
- Add interest to the above at 8% simple per year* from 20 February 2023 to the date the settlement is paid and
- Pay Mr L £150 for distress and inconvenience.

*If Red Sands considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L how much it's taken off. It should also give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've explained, I uphold Mr L's complaint and direct Red Sands Insurance Company (Europe) Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 March 2024.

Anne Muscroft
Ombudsman