

The complaint

Miss B and Mr N are unhappy that Aviva Insurance Limited proportionately reduced the settlement for a claim they made after their home was burgled.

What happened

Miss B and Mr N held a home insurance policy with Aviva which was inceptioned in July 2022. In April 2023 Miss B and Mr N's property was burgled, and many valuable items stolen, so they made a claim to Aviva.

Aviva had concerns about the declared value of the buildings, contents and valuables Miss B and Mr N provided when taking out their policy, so it appointed various experts to complete reports as to the value of Miss B and Mr N's items. Based on these investigations, Aviva said Miss B and Mr N had significantly underinsured their buildings, contents and valuables.

Although Aviva said Miss B and Mr N were underinsured on both buildings and contents/valuables, this complaint is about the contents/valuables claim.

Aviva said Miss B and Mr N's contents were only 30% insured. It also said a valuable items limit of 33% of the contents sum insured applied. Based on this, it initially offered a settlement of £5,625.27 which was later increased to £17,773.80 after a further review.

Miss B and Mr N brought their complaint about Aviva's settlement offer to the Financial Ombudsman Service where it was looked at by one of our investigators. He thought their complaint should be upheld. He said Aviva hadn't demonstrated the information it asked the broker to obtain from Miss B and Mr N was clear enough for them to have been able to provide reasonable answers. He also said the valuable limit wasn't made sufficiently clear either. Based on this, he said Aviva should settle the contents claim by paying £52,591 (less the policy excess) which was the full amount Miss B and Mr N had knowingly insured their contents for. He also said Aviva should pay Miss B and Mr N £200 compensation for the distress and inconvenience it's handling of their claim had caused them.

Aviva didn't accept our investigator's opinion. So, as no agreement has been reached, 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.

Having done so, I agree with the outcome reached by our investigator. I'll explain why.

Miss B and Mr N's policy was sold via a broker. I want to be clear here that this complaint focuses solely on Aviva and the things it was responsible for as Miss B and Mr N's insurer. So, I'll not be making any findings on anything the broker was responsible for under this complaint.

In deciding to proportionately reduce Miss B and Mr N's claim settlement, and apply a valuables limit, Aviva has relied on the following policy terms and definitions:

"Sums Insured

You have an ongoing duty to ensure that Your sums insured represent the full value of the Property insured at all times.

For Buildings, this means the cost of rebuilding the Buildings if they were completely destroyed, including demolition, debris removal and professional fees. This will not necessarily be the market value.

For Contents, including Valuables and Personal Possessions, this is the current cost as new. Other than clothes, furs and household linen where the current cost as new less an appropriate allowance for wear and tear may be applied.

If the amount shown on Your Schedule represents less than 100% of the full value, We will only settle claims at the percentage You are insured for.

For example, if Your sums insured only represent 70% of the full value, We will not pay more than 70% of Your claim."

"Contents

Household goods, personal property and Business Equipment within the Home that belong to You or You are legally responsible for, including the following;

- Tenant's fixtures and fittings*
- radio and television aerials, satellite dishes, their fittings and masts which are attached to the Home*
- hot tubs not permanently installed*
- deeds and registered bonds and other personal documents up to £1,500 in total*
- stamps or coins forming part of a collection up to £2,500 in total*
- Valuables within the Home up to 33% of the Contents sum insured and a single article or collection limit of 10% of the Contents sum insured, unless shown otherwise on Your Schedule"*

"Valuables

Jewellery, furs, gold, silver, gold and silver plated articles and other precious metals, gems, stones, pictures, paintings and other works of art.

Based on the above Aviva's actions could potentially be considered to be in line with the policy terms. But as an ombudsman, I don't only need to consider whether Aviva's actions are in line with the policy, I also need to be satisfied that they are fair and reasonable in all the circumstances.

For me to conclude that Aviva treated Miss B and Mr N fairly and reasonably in these circumstances, I'd need to be satisfied that, at the point of sale, it made the broker properly aware of the information it wanted to know from Miss B and Mr N. Effectively, that it gave the broker sufficient information to enable them to ask Miss B and Mr N sufficiently clear questions. If it did, I'd then need to be satisfied that Miss B and Mr N failed to provide reasonable answers to the questions they were asked. This is in line with laws and rules about the sale of insurance policies.

Miss B and Mr N's policy was sold by a broker, so our investigator asked Aviva to evidence what information it asked the broker to obtain about the value of Miss B and Mr N's contents and valuables. Aviva didn't provide anything to show what it specifically asked the broker to obtain, instead it provided copies of the statement of insurance document showing the sums insured declared and a copy of the sales call carried out by the broker.

As explained, I'm not considering the actions of the broker as part of this complaint. Only whether I think Aviva made it sufficiently clear to the broker what information it needed to obtain from Miss B and Mr N.

The statement of insurance required Miss B and Mr N to provide the contents "*sum insured*". There is nothing within this document which explains that this means the full replacement cost of Miss B and Mr N's contents, which is what Aviva says it wanted to know. And the broker did not specify on the call that it needed the full replacement cost of Miss B and Mr N's contents and valuables, just whether £52,591 was enough cover. And I think one possible reasonable interpretation of "*sum insured*" or "*enough cover*" could be the amount Miss B and Mr N wanted to insure their contents for (I'll come back to this later).

As explained, my first consideration is whether I agree Aviva was clear enough with the broker about what it wanted to know, so that they could make that clear enough for Miss B and Mr N to understand. I appreciate Aviva's argument that the policy booklet sets out what is meant by sums insured, and that a valuables limit applies to contents cover. But I'm not satisfied it's fair to expect a policyholder to review or cross reference several different documents, including one which is over 40 pages long, in order to properly understand what information is being requested during the sale or renewal process.

Instead, what would be fair and reasonable is for Aviva to clearly set out to the broker what it wanted to know, so the broker could in turn make this sufficiently clear to the policyholder when asking the questions. But the only evidence I can see, which could arguably be considered to demonstrate the information Aviva told the broker to gather, is the statement of insurance document. And, as explained, this doesn't provide any clarity as to what is meant by sum insured and doesn't mention anything about a valuable items limit.

Based on this, I'm not satisfied that Aviva, via the broker, was clear enough that it wanted to know the full replacement cost of Miss B and Mr N's contents, nor that the amount provided might need to be three times higher than the total cost of their valuable items because of a policy limit. This is despite this information appearing to be some of the most important required when setting up the policy. This case demonstrates that the consequences of a problem with this information can be severe. So, I think Aviva ought to have been abundantly clear about what it wanted, and not left it up to other parties to interpret what it meant by "*sum insured*", nor left it for the policyholder to trawl through the policy booklet to discover a significant restriction to the contents cover, which would be likely to influence the amount they would choose to be covered for.

Because I'm not satisfied that Aviva made clear to the broker exactly what it needed to know, I don't think it would be fair or reasonable to allow it to apply its "*average*" clause (proportionate settlement clause) to the claim settlement due to Miss B and Mr N. And because I've seen no evidence that the valuable items limits were made sufficiently clear either, I also don't think it would be fair or reasonable to allow Aviva to apply it in this case.

Aviva's jewellery expert said the cost to replace all of Miss B and Mr N's valuables, as new, would have been around £189k. But, as alluded to above, I think Miss B and Mr N were fully aware from the sale that they were only going to be covered for a maximum of £52,591 for contents and valuables. So, even though I don't think Aviva was clear enough with the broker about what it needed, I don't think that should mean that Miss B and Mr N receive more cover than they knowingly chose or paid for. So, in the particular circumstances of this complaint, I think a fair and reasonable resolution is for Aviva to settle Miss B and Mr N's claim for the full contents sum insured amount of £52,591, less the applicable policy excess.

Having their home burgled would have been understandably distressing and frustrating. This isn't something that Aviva would be responsible for. But I think Aviva's handling of this claim, and the various low settlement offers it has made, would have unreasonably added to the distress and inconvenience Miss B and Mr N experienced at an already difficult time. So, in addition to settling the contents claim for the full contents sum insured, I think Aviva should pay Miss B and Mr N £200 compensation for the avoidable distress and inconvenience it has caused them.

My final decision

For the reasons explained above, I uphold Miss B and Mr N's complaint.

Aviva Insurance Limited must:

- Settle Miss B and Mr N's contents claim by paying the full contents sum insured amount – £52,591 – less any applicable policy excess.
- Pay Miss B and Mr N £200 compensation for the avoidable distress and inconvenience it has caused them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B and Mr N to accept or reject my decision before 31 July 2024.

Adam Golding
Ombudsman