

## The complaint

Mrs M and Mr M complain about how Lloyds Bank General Insurance Limited (Lloyds) dealt with a claim under their home insurance policy for the loss of a diamond from a ring.

Lloyds use agents to administer the policy and to assess claims. References to Lloyds include these agents.

## What happened

In October 2023 Mrs M and Mr M lost a diamond from a ring, which they noticed after returning home from a shopping trip. They contacted Lloyds to tell them about the loss and lodge a claim for its replacement. When notifying Lloyds of the loss, the claim notes indicate Mrs M and Mr M said they'd purchased the ring more than 30 years ago and the value at that time was around £1,500.

Lloyds appointed a jewellery firm (H) to assess the claim and provide a settlement offer. But because Mrs M and Mr M weren't able to provide evidence of the quality of the lost diamond (colour and clarity), H made a settlement offer based on a commercial grade quality of diamond, which (net of the policy excess of £100) meant a cash settlement offer of £1,317.50). While Mrs M and Mr M had provided a photograph of the ring, Lloyds said that wasn't sufficient to determine the quality (colour and clarity) of the diamond.

Mrs M and Mr M were unhappy at the settlement offer as they didn't think it was based on a replacement diamond of equivalent quality to the one they'd lost. They said the offer was only just higher than the insurance valuation of £1,275 they'd obtained some 20 years previously. They'd obtained a valuation from a local jeweller that to replace the diamond with a 'mid-range' diamond (£2,226) which they'd then purchased, expecting they would be reimbursed this sum by Lloyds to settle the claim. Given the significant difference from the offer, they said it cost them £1,000 more to replace the diamond with one they had chosen from their jeweller. So, they complained to Lloyds.

Lloyds didn't uphold the complaint. In their final response, they said H could replace the diamond and repair the ring from which the diamond was lost. Where they used preferred jewellery suppliers, they could obtain discounts and the policy provided for any cash settlement to be based on the cost they would incur from a preferred supplier. While Mrs M and Mr M had provided a photograph of the ring with the lost diamond and a valuation from a jeweller, this didn't provide information on the quality (colour and clarity) of the diamond. As H didn't have any documents to support a specific colour and clarity of the diamond, they'd based their settlement offer on a commercial quality diamond. Accordingly, Lloyds had paid the settlement figure of £1,317.50.

Mrs M and Mr M then complained to this Service. They said they'd taken care to source a replacement diamond from a local jeweller, which they thought fair (£2,226). But because they couldn't prove the provenance of the lost diamond, Lloyds had based their assessment on a 'commercial quality' diamond, the valuation of which was only just greater than the valuation of the original diamond some 20 years ago (£1,275). They thought replacement of the diamond would be on a 'like for like' basis. The issue had been ongoing for some time,

and it was affecting them (they were both unwell). They wanted a fair offer to replace the lost diamond.

Our investigator didn't uphold the complaint, concluding Lloyds didn't need to take any action. He didn't think Lloyds had acted unreasonably in saying they couldn't determine the quality \*clarity and colour) of the diamond from a photograph, also given the absence of any specific information about the colour and clarity of the diamond (such as the original diamond certificate). Lloyds also acted fairly in offering a cash settlement based on what it would have cost them to replace the diamond (as opposed to what it cost Mrs M and Mr M to replace the ring).

Mrs M and Mr M disagreed with the investigator's view and requested that an ombudsman review the complaint. They reiterated their view the replacement offered by Lloyds (on which the cash settlement was based) was for a commercial grade diamond, which they felt wasn't of the quality of the original diamond. They know the original jeweller personally and he had told them the diamond was 'top quality'. But they didn't have validation of this, and he had subsequently passed away. They also felt the policy terms and conditions weren't made clear to them. And the jeweller who provided the replacement diamond felt it was likely to be close to the quality of the original diamond.

### **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.

My role here is to decide whether Lloyds have acted fairly towards Mrs M and Mr M.

The main issue in Mrs M and Mr M's complaint is the settlement offer for replacing the lost diamond from the ring. Mrs M and Mr M say the offer is too low and based on a commercial grade diamond. Lloyds say that without provenance of the quality (colour and clarity) of the diamond, they've made a fair offer in line with the policy terms and conditions.

Given Lloyds' reference to the policy terms and conditions, I've looked at the key elements of the policy relevant to the complaint. First, in the section headed *How to make a claim* there's the following statement:

*"If we accept your claim, there are a few ways we can look to put things right.*

- *We'll try to repair the damage.*
- *If we can't repair, we'll try to replace.*
- *We may pay a cash settlement instead."*

The policy goes on to state:

*"We use other companies (who we will call suppliers) to repair or replace your things, and to repair or rebuild your home..."*

*Where we use suppliers, we might get discounts. We will use this cost to us when settling claims.*

*What we mean is, we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home."*

What this means is that any cash settlement offered (as is the case here) will be no more than it would have cost for Lloyds to obtain a replacement from their supplier. That is, a replacement or repaired ring from H. Looking at the information provided by Lloyds, the

settlement offer of £1,317.50 (not of the £100 policy excess) is based on a 0.50ct diamond of I/SI1 diamond together with the setting and re-tipping of claws. And I can see the £1,317.50 figure is the limit of liability to Lloyds. That is, the cost including discount. Which is consistent with the policy wording set out above.

In the circumstances of this case, it appears Mrs M and Mr M purchased as replacement ring, meaning a cash settlement was offered by Lloyds, based on what they considered to be an equivalent diamond – in the absence of clear provenance of the colour and clarity of the original diamond. So, the key issue is therefore the quality of the diamond, both the original diamond and that which formed the basis of the settlement offered to Mrs M and Mr M.

Mrs M and Mr M say the settlement offered by Lloyds is based on a lower-quality (commercial) diamond. That is, a lower quality diamond than the one lost. Lloyds say Mrs M and Mr M haven't provided any evidence (proof) of the provenance (colour and clarity) of the diamond lost. And that the valuation and photograph provided by Mrs M and Mr M aren't sufficient to evidence the provenance of the lost diamond.

Lloyds also point to the following policy terms and conditions:

*“We'll replace an item with a new item on a like for like basis. When we say 'like for like basis', we mean we'll try to replace it with an exact match. If we can't find an exact match, we'll replace it with the nearest equivalent.*

*By 'nearest equivalent' we mean an item of the same quality and same specification.*

*If we can't find an exact match or nearest equivalent, we'll decide on how much to pay. This will be based on an expert opinion of how much it was worth before it was lost, stolen or damaged.”*

Lloyds say they took account of H's opinion when determining the basis of the settlement. Looking at the evidence, the replacement ring valuation from Mrs M and Mr M's jeweller is based on a different (higher) quality diamond (E/VS1) albeit of the same 0.5ct size. And while the valuation of the ring obtained some 20 years previously gives a value, it doesn't include any detail of the quality (colour and clarity) of the diamond. And it appears the jeweller is no longer trading.

I recognise what Mrs M and Mr M have said about their jeweller providing a replacement ring based on what he considered to be was likely to be close to the quality of the original diamond. However, in the absence of any clear, independent evidence to validate the quality (colour and clarity) of the original diamond, I can't conclude this is sufficient of itself to ask Lloyds to provide settlement based on the higher-quality diamond. Similarly, while I appreciate what Mrs M and Mr M have said about the original jeweller and his sad passing, it isn't clear, independent evidence of the quality (colour and clarity) of the diamond.

And that is before considering the effect of the discounts available to Lloyds from the preferred supplier, which means the settlement offer would always have been less than the cost of purchase of the replacement ring by Mrs M and Mr M.

Looking at the other points made by Mrs M and Mr M, I don't agree the policy terms and conditions were unclear, and I've not seen any evidence they weren't provided with, or made aware of, the detailed policy terms and conditions. The terms and conditions set out above are also common to home insurance policies across the sector.

Taking all these points together, I've concluded Lloyds haven't acted unfairly or unreasonably towards Mrs M and Mr M in the circumstances of this case, so I won't be asking them to do anything further.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Mrs M and Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 30 September 2024.

Paul King  
**Ombudsman**