

The complaint

Ms G and Mr R complain about how AXA Insurance UK Plc proposes to settle a claim they made for stolen jewellery under a contents insurance policy.

All references to AXA also include its appointed agents.

What happened

Below is intended to be a summary of the key events that form this complaint. Therefore, it doesn't contain a list of every point that been made.

In November 2023, Ms G and Mr R's property was burgled, in which jewellery and other items were stolen.

AXA accepted a claim and in settlement for the jewellery, it offered a value of around £8,537, to be paid in vouchers.

Ms G and Mr R said the stolen items were sentimental, so they were not intending to replace these and so requested to be provided with a cash settlement instead.

AXA considered this and offered a cash settlement of around £5,440.60 – which it says is the amount it would have had to pay its suppliers to replace the jewellery.

Ms G and Mr R didn't think this was fair. They raised a complaint with AXA.

In its final response to the complaint, AXA said it was satisfied the correct settlement had been offered in line with the terms and conditions of the policy.

Ms G and Mr R brought their complaint to our service. In summary they've set out the following:

- They said while there was no dispute in the valuation of the jewellery, they were disappointed with the cash settlement offered by AXA. They said they do not wish to replace the jewellery, as any like for like object would have no sentimental value as the stolen items did.
- Ms G and Mr R said AXA had misrepresented the policy by not making it clear that valuables would only be fully covered if replaced through their network of suppliers.
- Ms G and Mr R said when they bought the policy, they read the relevant material including the Insurance Important Information Document ("IPID") to gain an understanding of the cover. They said the IPID sets out the policy provides cover for your buildings and contents, not that it is designed to replace them.
- Ms G and Mr R have pointed to the Consumer Duty Rules and said AXA had to inform its customers clearly that if they did not replace lost possessions through its own network of suppliers, it would not provide full cover.
- AXA had mis-sold the product by not properly disclosing the nature of the cover on offer and failed to comply with the Consumer Duty.

Our investigator's view

Our investigator didn't recommend the complaint be upheld.

She said the policy was designed to put a policyholder back in the position they were in before the loss happened. She said the policy sets out how AXA settles claims – including that it may repair, reinstate, or replace the lost or damaged property.

Looking at Ms G and Mr R's claim, she said AXA had offered replacements through its personal jewellery service and in some cases for items which it couldn't offer a direct replacement for, it offered a full cash value. She also pointed out that the policy sets out where a replacement can be offered through a preferred supplier, but it's agreed a cash settlement is taken, the payment wouldn't exceed the amount it would cost from the preferred supplier.

Because of this the investigator said she was satisfied AXA's offer put Ms G and Mr R back into the position they were in prior to the theft, and it had acted fairly in line with the terms and conditions of the policy.

Regarding the Consumer Duty, our investigator said the sale of the policy itself wouldn't fall under Consumer Duty, as it was sold prior to its implementation.

The investigator considered further points made by Ms G and Mr R that AXA should have used the introduction of the new rules as an opportunity to review existing policies. But said in response that she didn't consider this way of settling contents claims to be unusual or the term to be onerous. She didn't think that AXA offering a replacement via a preferred supplier was a significant restriction to the cover offered. And therefore, this didn't need to be brought specifically to a policyholder's attention.

Ms G and Mr R didn't agree with our investigator's view of the complaint. They said our investigator had failed to consider properly whether AXA met its obligations under the Consumer Duty rules, from July 2023 onwards, to ensure they understood properly the cover on offer and whether it met their needs.

Ms G and Mr R have provided further submissions for consideration by an ombudsman.

I've summarised the key points below but confirm I have received and reviewed these in full.

- Neither the policy document or the IPID sets out the policy is one of 'indemnity' or explains in normal language that this means replacement and not the cash value of items.
- On making a claim, they've discovered the policy doesn't provide the cover they thought it did and therefore there has been a bad customer outcome.
- If an insurer wants to settle claims by voucher, then the Consumer Duty requires it to communicate this clearly and make reasonable efforts to ensure this approach meets its customer's needs.
- The burglary took place in November 2023 and the Consumer Duty applies to ongoing work for existing customers from July 2023 – including policy management, communication, and claims management. They said AXA was obliged to ensure its policies were fully compliant after July 2023 and has pointed to communication from the regulator to insurers which sets out it expects necessary steps to be taken to ensure compliance for new and existing products.
- AXA did not provide them with timely information to allow them to make an informed decision as to whether the policy met their needs after July 2023.
- They said the IPID and marketing material they've provided isn't clear that 'cover' means to replace items by means of vouchers. Ms G and Mr R said had this been

made clear they would have been able to make a properly informed decision and would've cancelled the policy, making alternative arrangements prior to the burglary in November 2023.

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.

I understand Ms G and Mr R have strong views about what has happened. They've provided several detailed submissions to support the complaint, which I want to assure them I've read and considered carefully.

However, my findings focus on what I consider to be the central issues, and not all the points raised. So, if I don't mention any particular point or piece of evidence, it isn't because I haven't seen it or thought about it, I have. It's just that I don't feel I need to reference it to explain my decision.

This isn't meant as a discourtesy. But the purpose of my decision isn't to address every single point the parties have raised or to answer every question asked. My role is to consider the evidence presented by all parties to reach what I think is a fair and reasonable decision based on the facts of the case.

Having done so, I'm not upholding this complaint. I understand this will be disappointing to Ms G and Mr R but I'll explain why.

The sale of the policy

- The original sale of the policy took place prior to The Consumer Duty rules and guidance coming into force, and they aren't retrospective. So, while I appreciate Ms G and Mr R's comments here about what they believe should have happened and the proactive actions financial businesses were encouraged to take in preparation of it coming into force – the fact is the policy sale happened before The Consumer Duty came into force. Therefore, I only need to consider if I think AXA set out the policy position in an informed way in line with the rules that applied at the time which set out that businesses should communicate in a way that is clear, fair and not misleading.
- Significant, or onerous terms should be brought to the attention of a policyholder prior to the purchase of an insurance policy, and usually this is achieved through the IPID. This is so that consumers can make an informed decision about whether the policy is suitable for their needs.
- However, our service doesn't consider the practice of offering vouchers to be a significant restriction to cover. It is a practice that is common across most policies – as is that of offering cash settlements at the same value where an insurer can offer a replacement through its preferred suppliers at its agreed rate.
- I appreciate why Ms G and Mr R have said they consider these to be significant terms to them however it isn't practical or possible to list every eventuality within the IPID.
- The Policy booklet sets out how the claims will be settled, and I think this has been communicated appropriately. While I understand the point Ms G and Mr R are making, I'm not persuaded AXA have acted incorrectly here.

When should AXA have done when the consumer come into force?

The Consumer Duty set out requirements businesses needed to consider for existing customers from July 2023. However, having considered this I wouldn't expect AXA to have got in touch with Ms G and Mr R specifically about the points they've raised.

The purpose of the IPID is to draw attention to significant terms or restrictions to cover. Offering vouchers isn't unusual and is form of settlement – not a term or restriction of cover.

So, even if I consider the Consumer Duty, I wouldn't expect this to be specifically drawn to Ms G and Mr R's attention or included on documentation such as an IPID. And subsequently I wouldn't have expected AXA to review this aspect of the policy with the introduction of the Consumer Duty.

The claim

- As the claim happened after the Consumer Duty came into force, I've considered whether AXA achieved the outcome of providing consumer support in its handling of the claim. I've set out below my thoughts on this.
- The policy says AXA may repair, reinstate, or replace the lost or damaged property.
- It also sets out if it cannot replace or repair the property it will pay the loss or damage in cash or a cash alternative (including vouchers and/or store cards). Where it can offer a repair or replacement through a preferred supplier, but it agrees to provide a cash or alternative settlement, the payment will not exceed the amount it would have paid its preferred supplier.
- Finally, the policy says if no equivalent replacement is available, it will pay the full replacement cost of the item with no discount applied.
- Considering the circumstances, I don't think AXA has acted unfairly. It's been able to offer some replacement items through its Jewellery Service and has offered vouchers as payment. In the case of some items, where no equivalent replacement has been available, it has offered a full value cash settlement.
- So, I think AXA has acted in line with the policy – and what it's intended to do, which is to provide a remedy which puts Ms G and Mr R in the position they would have been, had the loss not occurred.
- I've considered AXA's obligations through the claims process, and I'm satisfied it made this relatively straightforward and provided Ms G and Mr R with adequate support when required including answering the concerns they had.
- So, I don't agree AXA needs to increase its cash settlement and I won't require it to do anything further.

My final decision

My final decision is that I do not uphold Ms G and Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G and Mr R to accept or reject my decision before 18 December 2024.

Michael Baronti
Ombudsman