

The complaint

Mr C has complained that Inter Partner Assistance SA (IPA) hasn't fully settled a claim he made on a travel insurance policy.

What happened

Mr C's baggage was lost by the airline whilst he was on a trip in July 2024. He therefore made a claim on the policy for his lost possessions.

Mr C is unhappy that the settlement amount was far less than the replacement value of the items.

In response to the complaint, IPA maintained that it had settled the claim correctly. However, it accepted that there had been some poor service and so it paid £100 compensation for the distress and inconvenience caused.

Our investigator thought that IPA had handled the claim fairly, in line with the policy terms and conditions. He also thought that the £100 offered by IPA for poor service was reasonable. Mr C disagrees and so the complaint has been passed to me for a 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.

I've carefully considered the obligations placed on IPA by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for IPA to handle claims promptly and fairly, and to not unreasonably decline a claim.

Insurance policies aren't designed to cover every eventuality or situation. An insurer will decide what risks it's willing to cover and set these out in the terms and conditions of the policy document. The test then is whether the claim falls under one of the agreed areas of cover within the policy.

Mr C had included the cost of a bracelet and a smart watch as part of his original claim.

Looking at the policy terms, under the 'Baggage' section, and what is not covered, it states:

'Loss, theft of, or damage to valuables left unattended at any time (including in a vehicle, in checked in luggage or while in the custody of a carrier, tour operator or public transport operator) unless deposited in a hotel safe, safety deposit box or left in your locked accommodation.'

Jewellery and watches are defined as 'valuables' under the policy terms. The bracelet and smart watch were in Mr C's hold luggage that got lost. Therefore, based on the above wording, I'm satisfied that it was reasonable for IPA to remove those items from the claim.

IPA settled the remainder of the claim for £357.50. This was based on the claim values provided by Mr C, minus depreciation and minus the excess amount of £50.

I don't think Mr C is querying the deduction for excess. However, he feels that the reduction for depreciation is excessive.

Although Mr C has said more recently that some of the lost items were quite new, I have seen an email he sent to IPA on 8 July 2024 in which he said that all of the items had been purchased in 2020 or earlier.

Looking at the policy terms again, it states:

'What is covered

1. We will pay you up to £1,750 for the accidental loss of, theft of or damage to baggage and valuables.

The amount payable in the event of a total loss, will be the value at today's prices less a deduction for wear tear and depreciation (loss of value), or we may replace, reinstate or repair the lost or damaged baggage and/or valuables.'

I'm therefore satisfied that IPA makes it clear that it is not a 'new for old' policy, so Mr C could not expect to receive a settlement amount that would cover the cost of him replacing all of the items. Instead, the payment is intended to be a contribution towards the replacement value, taking into account the age of the items and wear and tear.

IPA doesn't set out the details of its depreciation formula within the policy document. However, it has provided this service with the calculations it uses in such cases, and I can see that a deduction of 75% is applied to items that are four to five years old. Based on the type of items being claimed for, which were mainly clothes and footwear, I consider this to be reasonable. And this is a formula that IPA uses across the board, so I'm unable to conclude that it has treated Mr C unfairly. The same formula would be applied to any other policyholder making a similar claim.

I do have sympathy for Mr C's situation. He's lost his possessions due to circumstances outside of his control and is out of pocket as a result. However, the question is whether IPA has settled his claim correctly, in line with the policy terms and conditions, and I find that it has.

There was clearly some poor service. In particular, Mr C had to chase IPA to find out what was happening and it incorrectly declined the claim in the first instance, which led to delays. However, on balance, I consider that £100 is fair and reasonable compensation for the distress and inconvenience caused.

My final decision

For the reasons set out above, I do not uphold the complaint.

I understand that Inter Partner Assistance SA has already paid the £100 compensation to Mr C, so I am not asking it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 April 2025.

Carole Clark
Ombudsman