

complaint

Mr T complains Society of Lloyd's wrongly declined a claim on his motorcycle insurance policy. Mr T's father is bringing the complaint on his behalf, as his representative.

All references to Society of Lloyd's include its agents, for which it has responsibility.

background

Mr T bought insurance for his motorbike with Society of Lloyd's via a broker in 2012. He renewed his policy annually from then onward. In 2017 Mr T's motorbike was stolen while parked in a residential street. Mr T claimed on his policy for the theft of the bike.

Society of Lloyd's declined the claim. It relied on a specific endorsement on Mr T's policy, which said it wouldn't cover claims for theft unless the bike was fitted with a specific type of lock or an armoured chain. It thought the endorsement was clear in the policy schedule, and it said it was clear that Mr T's bike didn't have sufficient security measures in place at the time of the theft.

Mr T said the wording in the endorsement isn't clear enough, as it only says to secure the bike with a lock or armoured chain when it is 'out of use'. And he said he did this by securing his bike with an armoured chain overnight (when it was clearly out of use).

Mr T said the bike was fitted with an immobiliser and the steering lock was on when it was stolen. And he didn't think having a D-lock or chain on the bike would've prevented the theft, given he believes it was lifted on to a van.

Mr T also complains about the way Society of Lloyd's handled the claim. He was unhappy with its response when he appealed its decision to decline his claim, and he was also given an incorrect telephone number.

Our investigator looked into the complaint. He didn't think it was fair for Society of Lloyd's to decline Mr T's claim. The relevant endorsement was under the heading '*Immobilisation Warranty*' on the policy schedule and he didn't think this term would've been clear enough to Mr T. So, he didn't think the significant exclusion for theft cover was sufficiently highlighted to him. He also thought Mr T would've secured the bike in the required way if he'd known. So, he thought Society of Lloyd's should settle the claim.

However, he didn't think Society of Lloyd's should have to pay any compensation for the handling of the claim. He thought that while the response to his complaint would've been disappointing, the reasoning was clear and it was sent in a relatively timely manner. It also clearly set out the next steps for Mr T to escalate matters, so he didn't think the incorrect telephone number caused any material inconvenience.

Society of Lloyd's disagreed. It thought the endorsement was clearly important to the cover and highlighted very clearly on the schedule, which was a one page document. It said it was also included with other important endorsements applicable to Mr T's cover, which he should have read. And the policy document makes clear under the '*definitions*' section that any endorsement is a change to the terms of the insurance, which replaces the standard insurance wording.

Society of Lloyd's also argued that the policy wording makes clear that it won't cover the theft of the bike if *'reasonable precautions were not taken to protect it'*. It said Mr T admitted that the batteries in his immobiliser had run out earlier that day so he would've known he needed to take extra steps to protect his bike, rather than just relying on the steering lock. Instead, it said he left the bike while he went out to socialise, knowing the immobiliser wasn't working properly. So, overall, it didn't think he took reasonable precautions to protect it.

The case was referred to me for a final decision.

my findings

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

I agree with the investigator that the significant endorsement for theft cover wasn't made clear enough to Mr T in the policy schedule. I accept that the policy schedule was a one page document, but it was double-sided. The wording of the endorsement was on the back page. And I don't think the heading *'immobilisation warranty'* on the front page would be clear enough to people outside of the insurance industry, to sufficiently draw their attention to the specific wording on the back page of the document.

There's nothing in the Key Facts or policy document that would've alerted Mr T to the fact that theft cover would be excluded unless specific locks or security measures were in place whenever the bike wasn't being ridden. And the wording of the term says this is only required when the bike is *'out of use'* in any event, which I think is open to interpretation.

Given Mr T was using an armoured chain to secure the bike at night, I think it's most likely he also would've used the chain during the day when his bike wasn't being ridden, if it had been made clear to him that he wouldn't be covered for theft otherwise – especially as he had taken steps to secure the steering lock when he left the bike on the day it was stolen. So, I don't think it's fair for Society of Lloyd's to rely on this endorsement to decline Mr T's claim.

Society of Lloyd's still doesn't think that the steps Mr T took to secure the bike were enough. I accept that the policy says theft cover won't be provided if reasonable precautions weren't taken to protect it. And I've thought carefully about what Society of Lloyd's said. But I don't think it's fair to apply this term in this case either. For me to conclude otherwise, I'd have to be satisfied that Mr T recognised the risk of theft when leaving his bike unattended, but then left it anyway without putting adequate (or any) security measures in place.

In this case, I don't think the fact Mr T was aware that the immobiliser wasn't working properly is enough to say he recognised there was a real risk of theft when leaving his bike unattended in a residential street and then took inadequate steps to secure it. Mr T said the bike was parked in a cul-de-sac, in a well-lit street of well-presented houses in a popular area, with plenty of people around. He made sure the steering lock was in place and the keys were safely with him. I've already said I don't think he was made properly aware that he should've used a D-lock or armoured chain – and there were no other minimum security measures mentioned in the policy document or Key Facts that he was required to have in place.

Taking everything into account, I don't think it's fair for Society of Lloyd's to rely on this term or to say Mr T didn't take reasonable precautions to protect his bike from theft. And so,

overall, I don't think it's fair for Society of Lloyd's to decline Mr T's claim in these circumstances.

I know Mr T is also unhappy with the customer service he received from Society of Lloyd's. But it's not our role to punish a business for any wrongdoing. And, for the same reasons as explained by the investigator, I don't think any compensation is warranted in this case for the way it handled Mr T's claim.

my final decision

For the reasons explained above, I uphold Mr T's complaint in part and require Society of Lloyd's to:

- settle Mr T's claim in line with the remaining policy terms, and
- add simple interest* to the settlement amount at the rate of 8% per year from the date of Mr T's original claim to the date Mr T receives the settlement.

* If Society of Lloyd's considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 5 March 2018.

Joanna Brown
ombudsman