

The complaint

A company which I'll refer to as C complains that HCC International Insurance Company Plc ("HCC") hasn't paid the full value of a claim made against its Trade Credit insurance policy.

Mr C, who is a director of C, brings the complaint on C's behalf. C is represented in bringing this complaint but for ease of reading I'll refer only to C.

What happened

In June 2018, C renewed its Trade Credit insurance policy with HCC, which provided cover for debt owed to them by their customers on a 90% indemnity basis. C carried out work for a customer, who I will refer to as D. C's invoices to D were funded through a factoring arrangement with a finance company which I'll refer to as S. As a result, S were named as the Loss Payee on the insurance policy so any payment under the policy would be made to it, rather than to C.

In March 2019, D went into administration following a fire at its premises and ultimately Insolvency Practitioners were appointed. C made a claim to HCC for its losses, which it has said are in excess of £200,000. In July 2019, HCC made a payment of just under £79,000 to S in respect of the claim. It explained that it had reached this figure using the debt value recorded on the Insolvency Practitioner's report, which was £105,000. HCC explained that it had deducted VAT and awarded £79,000 on the basis of 90% indemnity.

S passed the outstanding invoices that were not repaid back to C and took steps to recover the funds. S has confirmed that it no longer has any interest in the insurance claim.

C didn't agree with the settlement figure and said that the balance owed to it by D was much higher. It explained that, due to the fire, D's accounting records had been destroyed and the most recent figure was from several months before. So, it said, as the Insolvency Practitioner hadn't been able to verify the debt, the figure used in the Insolvency Practitioner's report was out of date. C provided HCC with invoices and worksheets to evidence the work it had carried out for D, some of which were initially unsigned and later replaced with signed copies.

C complained to HCC about the value of the payment and explained that, as a result, C had to enter into a voluntary arrangement with its creditors. HCC didn't think the amount should be increased. It said that if C thought the amount should be higher, this should be submitted to the Insolvency Practitioner to consider. It said that it would reconsider the claim on receipt of confirmation from the Insolvency Practitioner that the debt owed to D was higher than the £105,000 confirmed in its report.

C didn't agree with HCC's response and referred the matter to this service. It said that the Insolvency Practitioner's role isn't to verify the debt and, as such, it can't compel it to increase the recorded debt amount. But it has provided evidence to show that the Insolvency

Practitioner has made a record of the additional debt. And it has now suggested that a sensible solution would be to arrange for an independent review of the invoices and worksheets.

Our investigator considered the complaint and didn't think it should be upheld. In short, she didn't think HCC had made an error in relying on the debt recorded by the Insolvency Practitioner and didn't think HCC needed to increase the payment. C didn't agree so 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.

I was sorry to hear about the challenging circumstances that have arisen as a result of this claim. But for the same reasons as the investigator, I won't be upholding this complaint. I'll explain why.

HCC has confirmed that it would generally use the debt figures recorded by an Insolvency Practitioner to verify the value of the claim. The circumstances of this claim are unusual as the fire that occurred at D's premises, shortly before it went into administration, meant that much of the paperwork was destroyed. And the Insolvency Practitioner has commented that the director of D wasn't forthcoming and so establishing the value of outstanding debt was challenging.

While C has said that the accounts HCC relied on to pay the claim were from several months before, they were the most accurate way of verifying the amount of the debt at the time. And while C did submit further evidence by way of worksheets and invoices to evidence the additional balance it claimed was owed to it, the documents that were originally received by HCC were unsigned. While I can appreciate that this was due to the factoring arrangements made through S, it meant that HCC had no way to verify the accuracy of those documents. So I don't think HCC made an error in basing its settlement on the amount that was verified as being owed by the Insolvency Practitioner.

C did go on to submit a significant amount of further information in order to evidence that the amount owed to it by D was more than £105,000. HCC reviewed the additional information as I would have expected it to and attempted to reconcile the invoices with the amount the Insolvency Practitioner had used in their report. But, unfortunately, HCC wasn't able to confirm whether these invoices had been included in the balance provided by the Insolvency Practitioner.

HCC suggested that C submit the documents to the Insolvency Practitioner to allow it to consider whether these amounts should be recognised in the value of the debt. And it confirmed that if the invoices were admitted into the administration then it would be prepared to revisit the claim. However, C has said that the Insolvency Practitioner is unable to verify the outstanding debt. While I realise this has caused a great deal of frustration for C, I don't think it was unreasonable for HCC to suggest this option.

Ultimately it is for C to evidence its claim and I haven't seen sufficient evidence to show that the amount at which HCC settled the claim was incorrect. HCC has needed to take a

pragmatic approach to verifying the claim in this situation, given the unique circumstances, and I don't think it acted unreasonably in doing so.

While C has said that a forensic accountant should be employed to verify the claim, I am not persuaded that it is necessary for HCC to arrange this type of review. I say that because HCC has already carried out its own review and attempted to reconcile the invoices from C with the amount quoted on the Insolvency Practitioner's report. There is no reason to believe that a forensic accountant would be more successful. HCC has based its settlement on the amount that the Insolvency Practitioner has confirmed in its report – and I am satisfied that, in the circumstances, that was a fair basis for the claim to be paid.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 1 November 2021.

Sara Falzon
Ombudsman