

The complaint

Miss G has complained that Calpe Insurance Company Limited (Calpe) has refused to settle her motor insurance claim.

What happened

On 15 December 2019 Miss G was involved in a road traffic accident, there were no other parties or vehicles involved and no third party damage.

Miss G complained to Calpe who looked into her claim. An engineer assessed the car and recommended that the claim be dealt with on a 'constructive total loss category S' basis and Miss G should receive a settlement for market value of the car. The engineer assessed market value to be £17,900.

However, Calpe said it was unable to settle the claim, as Miss G was unable to provide a receipt or other evidence to show where her funds came from to purchase the car. Miss G was able to provide the V5 registration document and proof of MOT. She told Calpe the car had cost roughly £19,800 and she had bought this with her ex-partner, and they had paid cash for it. She had contributed half of the cash towards the car using her savings, which she had acquired from her job as a dancer. But she didn't keep her savings in her bank account so she couldn't evidence the transaction.

Miss G felt Calpe should have obtained a quote for the repairs and she also felt that it was unfair Calpe were asking for proof of purchase when she bought the car in October 2017. But Calpe maintained its position of needing proof of purchase to continue with the claim but said it was still willing to continue with Miss G's insurance.

Miss G was unhappy that Calpe refused to settle the claim without proof of purchase. So, she brought the complaint to our service.

Our investigator looked into Miss G's complaint and he recommended the complaint should be upheld. To summarise he said that Calpe said it requires proof of purchase, but even if Miss G could provide this it wouldn't prove where the funds came from to purchase the car. So, he didn't see how asking proof of purchase was necessary.

He said the checks carried out by Calpe proved Miss G was the registered keeper of the car and he said Miss G had been clear about how she purchased the car. He said, he didn't think it was fair for Calpe Insurance to accept Miss G as a policy holder and take her payment, and then not proceed with her claim on the basis that she paid for her vehicle with cash, two years prior. He said if Calpe wanted information relating to the purchase of the car, it should have asked questions at inception to establish if it wanted to insure Miss G. So, he said Calpe should settle the claim and pay Miss G £450 for the time it had taken and trouble and upset it had caused.

Calpe didn't agree, it said that Miss G indicated her ex-partner had a receipt so this could be provided if our service pursued him for this. But it said it had acted in line with the terms and conditions. So, the case was passed to me to consider.

However, it has now come to light that Ms G has sold the car to a third party. Ms G states that she sold the car for £5,000. And from 18 December 2019 to 24 January 2020 she had had to rent cars in order to get around.

I issued my provisional findings on 26 February 2021. This is what I said:

I have reviewed Calpe's terms and conditions, which say:

'When we are dealing with any claim the person who is seeking payment under this policy shall give us all the relevant information, documents and assistance we require to enable any claim to be validated for us to achieve a settlement or pursue a recovery. Below are some examples of what we may request. However, we may also ask for other information, documents and assistance relevant to your claim. Details of third parties and witnesses statement of events relating to your claim, sketch or photograph of the accident scene, correspondence received from another party (including court papers), driving licence, proof of identity and address, vehicle documentation such as V5, MOT and proof of purchase, receipts and invoices finance documents, attendance at court meetings with solicitors or us'.

I appreciate Calpe's terms say it can ask for proof of purchase and receipts in order to validate and settle a claim. And while I have taken that into consideration, I have also considered the other documentation provided, Calpe's thorough investigation and Miss G's testimony to decide what is fair and reasonable in this complaint.

Miss G has provided for V5C logbook which shows who the registered keeper of the car is. Therefore, it is not in dispute that Miss C is in fact the registered keeper of the vehicle.

Calpe has also provided the results of other checks it carried out while investigating Miss G's claim. And I can also see that contact was made with the vehicle recovery agent (who recovered Miss G's car) to discuss the version of events that occurred on 12 December 2019. And I haven't seen anything which brings Miss G's testimony into disrepute.

Calpe provided a copy of the investigation report and having reviewed that and other correspondence relating to the investigation I can see the following was said:

'The insured was interviewed at her home address. She was pleasant, polite and cooperative throughout. She answered all questions posed to her and was happy to expand upon things when asked. In my opinion she would make a credible witness and I have no reason to doubt the veracity of her statement. She is willing to attend Court if required.'

So, while I appreciate Calpe's terms and conditions allow it to ask for proof of purchase, I don't think it would help it establish where the funds came from in order to purchase the car in this circumstance. I say this because, even if a receipt could be provided, it wouldn't answer Calpe's main concerns about the legitimacy of the funds. So, I am unsure, in this circumstance, how it would help Calpe validate the claim.

I can understand that an insurer might in some circumstances want to establish legitimacy of funds when considering a claim. However, in this case, Miss G has explained her circumstances several times and offered to provide her employers details so Calpe could investigate her version of events. Having reviewed the contact notes, I can't see that Calpe has done this. So, as it hasn't chosen to investigate the matter further, I don't think it's fair or reasonable for Calpe to decline Miss G's claim by relying on this term.

As such I have gone on to consider what would have happened if Calpe had agreed to settle the claim. It's not our role to decide a valuation. Our role is to look at whether an insurer has reached the valuation of a vehicle in a reasonable way. And in doing so we pay particular attention to the various trade guides used for valuing cars. We think these guides let us see the fair value of a car as they reflect the market at the time. I've considered the engineers report, and the market value it placed on the car, £17,900. And having checked the trade guides I'm satisfied the market value placed on the car was fair and reasonable.

So, under normal circumstances I would be asking Calpe to settle the claim in line with the terms and conditions of the policy. However, Miss G has sold the car. So, it wouldn't be fair or reasonable to expect Calpe to pay market value for the car without deducting the sale price of £5,000 and policy excess.

I have also considered the fact Miss G was without the car from 15 December 2019 until she took out a finance agreement for a new vehicle on 24 January 2020. During that period of time (roughly five weeks) she paid for a hire car. She has been able to evidence payment of three weeks through bank statements. However, the weekly figure differs, and it would appear this is because the car changed each week. Miss G hasn't been able to provide invoices, so I am unable to see if the cars that she hired were equivalent to her own car.

While I'm satisfied that it's more likely than not Miss G did have to hire a car for five weeks I think it's fair that Calpe should only pay the three weeks Miss G has evidenced, totalling £540.85. Given the varying weekly rate this then accounts for any betterment Miss G may have had if she hired a car that was of a higher specification than her own. As I have asked Calpe to cover Miss G's hire costs, I will not be awarding any loss of use payment here.

This situation has understandably caused Miss G a degree of trouble and upset. It is reasonable to suggest Calpe declining the claim but still offering to cover Miss G would have caused some confusion as she would be in the same position again if she were to make another claim on the same car later down the line. As a result, I can see why she felt that left her in a position where she felt she had to sell her car and use hire cars while she arranged to take out a finance agreement to purchase another vehicle. Our investigator originally suggested that Calpe paid £450 for the trouble and upset it had caused. However, I don't agree with this amount. While I appreciate Miss G has suffered a degree of inconvenience, I don't think an award that high is warranted. I feel an award of £250 is fair and reasonable and compensates Miss G for the trouble and upset she experienced.

Overall, I am satisfied that Calpe did something wrong here and must do something to put it Right.

To put things right I require Calpe Insurance Company Limited to:

- Settle the claim in line with the policy by paying the market value of the car minus sale price of the car (£5,000) and policy excess (£3,000).
- Pay £540.85 for the cost of Miss G hiring cars during that period of time
- Add 8% simple interest to the above amounts from when Calpe declined the claim until they issue payment
- Pay £250 for the trouble and upset it caused.

Calpe and Miss G had until 12 March 2021 to provide any additional points and/or information for me to consider. Miss G agreed with my provisional decision, but Calpe didn't respond.

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.

In light of the above, my final decision remains the same as my provisional decision for the reasons I have already explained.

Putting things right

For the reasons outlined above, I'm upholding Miss G's complaint against Calpe Insurance Company Limited. To put things right I require Calpe Insurance Company Limited to:

- Settle the claim in line with the policy by paying the market value of the car minus sale price of the car (£5,000) and policy excess (£3,000).
- Pay £540.85 for the cost of Miss G hiring cars during that period of time
- Add 8% simple interest to the above amounts from when Calpe declined the claim until they issue payment
- Pay £250 for the trouble and upset it caused.

Her Majesty's Revenue & Customs may require that Calpe deduct tax from the interest paid to Miss G. If it does and Miss G requests it, Calpe must provide her with a certificate showing how much tax it has taken off, so she may reclaim it if appropriate.

My final decision

For the reasons I've already set out, I'm upholding this complaint. And I require Calpe Insurance Limited to put things right by paying the compensation I've outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 23 April 2021.

Jade Rowe
Ombudsman