

The complaint

Following an accident, Mr M complains that the Society of Lloyd's (Lloyd's) handled his claim very badly and that it unfairly refused to pay for damage that came to light after his van was repaired.

Other parties have been involved in this complaint, but as Lloyd's are responsible for it, I've just referred to them in this decision.

What happened

Mr M was involved in a single vehicle collision in July 2020. He submitted a claim on his commercial insurance motor policy with Lloyd's and his van was deemed a total loss. Mr M wasn't satisfied with the total loss settlement and he complained. Lloyd's reviewed its valuation and after a number of months increased it. Because of this increase, Mr M's van was then considered repairable and Lloyds arranged for it to be repaired.

After the van was repaired Mr M continued to experience mechanical issues that he says weren't there before the accident or repair. So, Mr M returned his van to the repairer. But he was told these issues weren't accident related and as such were outside the scope of cover provided. Lloyd's did however award Mr M £300 for the delays caused and its poor handling of the claim.

But Mr M remained unhappy, so he brought his complaint to this service. Mr M was unhappy with how the claim was handled and in particular the inconveniences he'd suffered. He was also dissatisfied with the additional repairs he had to undertake after Lloyd's repair. An investigator reviewed his complaint and said that given the mechanical failings listed after Lloyd's repair, it was more likely than not that some of these additional repairs were accident related. He recommended Lloyd's pay for these further repairs, totalling £650.

However, Lloyds doesn't agree, and it asked for an ombudsman to review the complaint.

I issued a provisional decision on this complaint on 25 May 2022. That provisional decision is below and forms part of my final decision.

What I provisionally decided and why

Our approach is to review Lloyd's actions and to decide whether it handled the claim poorly. I will also look at whether Lloyd's has done enough whilst dealing with the claim to fairly and reasonably decline the further repairs Mr M's van required post repair.

Mr M reported the incident immediately on 24 July 2020. Photos were submitted, and an estimate of repairs was provided within days. At this point Mr M queried the excess and the claims handler queried the modifications it had found on the vehicle with Lloyd's. By 7 August Mr M had had the excess clarified and he was told he was getting £4,000 as a total loss settlement. Mr M didn't think the valuation was correct and told Lloyd's his GAP Insurer had also raised a concern with it. Over the next four weeks Mr M contacted Lloyd's a number of times. And on 16 September Mr M's GAP insurer called Lloyd's to advise that the original

price of this vehicle far exceeded the valuation Lloyd's was providing. It asked Lloyd's to carry out another valuation.

By 24 September Lloyd's had amended the valuation, and the van was deemed repairable. Three weeks later, on 16 October 2020, the van was repaired and returned to Mr M.

Two weeks after that, on 30 October 2020, Mr M called the garage to say a warning light had appeared on his dashboard. But after a further inspection Lloyd's deemed the damage outside the scope of the accident and said it wasn't going to pay for it.

At this point Mr M complained. He said:

- the excess was too high
- he only had limited access to a courtesy vehicle
- when he received his vehicle back there were a number of problems. There was a wiring loom issue and the radio kept flickering. He said there was overspray on the body of the van. He said there was a leaking seal into the injector, the EGR valve was stuck, the water pump had failed along with the intercooler, and his brakes had corroded. He said it cost him just over £1,700 to rectify these issues post repair
- there had been unreasonable delays throughout the claim, and he'd suffered much inconvenience because of them

Excess and Courtesy Vehicle

Mr M says his excess was £250. Lloyd's says it was £725. There are two issues here, the first one is the excess itself. Looking at the policy terms and conditions I can see that Mr M's excess was £750. But the policy schedule says £725. This is made up of an accidental damage excess of £225 and an additional excess of £500 because Mr M was under 25. This is clear in the schedule of insurance and I agree that £725 is correct, and Lloyd's made an initial error by stating £750.

The second issue is Mr M's "excess protect cover". Mr M mentions this numerous times in his calls with Lloyd's. But from looking at the supporting documentation this looks like this was an additional, separate policy provided by Mr M's broker. So, I can't comment on this additional policy in this decision.

And the same goes for Mr M's courtesy car arrangements. Looking at the policy terms and conditions provided by Lloyd's, under the summary of cover I can't see courtesy car cover listed. But it looks like Mr M selected "replacement vehicle" as an additional cover from his broker and he has a separate policy for that too. So, I can't comment on this additional policy in this decision either.

Additional repairs

To get the vehicle back to its previous working condition Mr M had the timing kit, water pump, alternator belt, EGR valve, front brake discs and pads, a perished pipe seal and the gearbox mount all replaced. Our investigator in their assessment said that they thought it more likely than not that some of these issues were accident related and should be covered by Lloyd's (specifically the EGR valve and the water pump).

But I think this slightly misses the point. The point Mr M is making is that as the vehicle was lying idle for so long in an unrepaired state, corrosion had set in and a number of issues arose while it was lying idle. These issues are not specifically accident related. Mr M says they set in because of delays and neglect after the accident.

After our investigator's assessment was sent to Lloyd's, asking it to pay for partial repairs, Lloyd's consulted with an engineer. The engineer said our investigator's reasoning for upholding this part of the complaint was slightly flawed. He said that even though the radiator was damaged in the accident and there was a loss of coolant, it was unlikely this in turn damaged the water pump. He says it's more likely than not that the water pump was changed in line with manufacturing guidelines around the replacement of the timing belt kit. And that this wasn't accident related. He also said that the EGR valve and the intercooler are not connected in any way to any mechanism that was damaged in the crash. So, he found it hard to see how these issues would now come under the scope of the cover provided for the accident.

I appreciate Mr M's argument about the time this vehicle was idle, and the degenerative effect this can have. But Lloyd's has provided expert comments from an engineer that would indicate that as this vehicle has approximately 73,000 miles on the clock, it would not be unusual to see issues arising with the EGR valve becoming blocked and the timing belt (alongside the water pump) needing replacement.

I can see how brakes can become corroded whilst a vehicle is idle. But as a serviceable item, it's hard to know what condition they were in before the accident, and maybe they just needed replacing. And given that the discs were also replaced, this suggests normal wear and tear being the reason for them needing to be replaced as opposed to neglect.

As such, I'm more persuaded by the evidence provided by Lloyd's. I'm satisfied it has done enough to show me that these issues more likely than not relate to the age and mileage of the vehicle, as opposed to being either accident related or linked to the time the vehicle was left awaiting repair. So, I won't be asking Lloyd's to pay for any of these repairs. Please note, there has been no further mention of the wiring loom issue, leading to the radio flicker issue and the overspray issue. So, unless I'm told something different, I will assume these issues have been resolved.

Distress and inconvenience

As a service we'll consider whether compensation is appropriate in each case. We'll ask about what happened, and the impact it had on a consumer's life. We can make a money award to put right any financial losses. We can also make a money award for distress, inconvenience, pain and suffering and damage to reputation. This allows us to put right the emotional or practical impact of a business's mistake.

In this specific instance Lloyd's initially awarded Mr M £200 in compensation. It said this was for the delays in handling the claim. On review another £100 in compensation was awarded because Mr M had called numerous times and didn't receive a response and because Lloyd's had the van's modifications on record all along, so the valuation should've been correct from the beginning.

In the file itself there is an exchange between two handlers in Lloyd's. One says that not all modifications would increase the value of the vehicle. This handler argues that it's clear from the time spent by the GAP insurer to come to a valuation that this wasn't a standard valuation, and it's been requested that this is highlighted to our service.

But I think when it was considering compensation Lloyd's has missed the point. The first thing that stands out for me was how calm Mr M was throughout this whole process. He's young, and he's never been through this process before. And over and over again he methodically explains how stressful this whole situation has been on him. He says on numerous occasions during his numerous calls with Lloyd's that not having a vehicle is

causing him to have to go to additional lengths to move tools and equipment around various sites, and that during the pandemic, with social distancing a priority, this is in fact becoming a real issue for him and is very stressful. It was Lloyd's responsibility to get the market value of this vehicle right in the first place. The details were all available. The modifications were all listed in the policy schedule. There was a full set of photographs provided five days after the accident. It shouldn't have been up to Mr M's GAP insurer to get involved at all, and it certainly wasn't its responsibility to provide a market value to Lloyd's. If this had been handled correctly, Mr M would more likely than not have been back on the road by the end of August 2020, and his disruption would have been minimal given his additional replacement vehicle policy.

Because of this I don't think Lloyd's has awarded Mr M enough compensation for the inconvenience he's suffered. Lloyd's hasn't factored in enough for the time it took to sort out its error in valuation, or the impact this has had on Mr M. This to me is a significant inconvenience and disruption that needed a lot of extra effort to sort out, as can clearly be seen by the amount of times Mr M had to call Lloyd's to progress this claim. Further to this he's had a serious disruption to his daily life, with the impact felt over a number of months.

As such I think the compensation award sits more into our medium range of compensation and I'm planning on asking Lloyd's to pay more. I note Lloyd's has already paid Mr M £300. So, I'm planning on asking Lloyd's to pay a further £500 in compensation (£800 in total) to Mr M for the distress and inconvenience he's suffered as I've set out above.

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 sent my provisional decision on 25 May 2022 as set out above.

Mr M has replied, and he's satisfied with the outcome. But he added more substance to two points he'd already raised. He says that when the van left the body shop, the body shop raised the possibility of there being underlying mechanical damage. Mr M says the body shop told him that it was a body shop only and it hadn't looked into the impact this collision could've had mechanically to the van. He says this means the collision could've impacted and damaged the water pump. However, an engineer has already commented on this and has said it was unlikely the collision had any impact on the water pump. And I'm more persuaded by the engineer's expert opinion. I think it's more likely than not the water pump was replaced as per manufacturing guidelines and not because it was damaged in the accident.

Mr M also asked whether we'd consider raising the distress and inconvenience award. He says an additional £650 to £700 would be more appropriate. Mr M says he had to pay interest on the loan to repair the car and he'd like this additional expense covered. But as I'm satisfied that the additional repairs that were required were unlikely to be accident related, I wouldn't consider including an expense relating to this repair in any compensation award. Because of this, I won't be recommending any additional award for distress and inconvenience, on top of what I've already recommended.

Lloyd's has also replied. It says the increase in compensation by £500 is too high and not warranted. Lloyd's say that this increase in compensation seems to be due to the impact of not having a vehicle during the pandemic. Lloyd's says it's surprised with this increase as Mr M works in the construction industry and it says "*it is common knowledge that the building trade came to a much of a halt*" during the pandemic. Lloyds says the impact on Mr M's occupation has been overstretched and the compensation it initially awarded is sufficient.

However, Lloyd's observations on why I'm recommending a higher compensation award aren't supported, so I won't be changing my mind. Mr M was without a van from 24 July 2020 to 16 October 2020. The construction industry in the UK reopened on certain projects from 23 May 2020, and by 4 July 2020, the UK construction industry had returned to work fully but in line with government social distancing guidelines. The next UK wide lockdown didn't happen until November 2020.

So, it's more likely than not Mr M was back working in July 2020. And Mr M says that his inconvenience was mainly down to not having a van whilst being required to maintain social distancing rules. He says he had to routinely seek separate lifts and transport for his tools from site to site because he had no van. And he had no van because Lloyds valued his van incorrectly, leading to extensive delays in getting it repaired. And as I set out above, I don't think Lloyd's awarded Mr M enough for this inconvenience. As such, I see no reason to depart from my findings as set out above and I require Lloyd's to pay Mr M a further £500 in compensation.

My final decision

My final decision is that I uphold this complaint in part. I require the Society of Lloyd's to pay Mr M a further £500 in compensation (£800 in total) for the distress and inconvenience he's suffered for the reasons I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 July 2022.

Derek Dunne
Ombudsman