

The complaint

Ms B complains about delays and the mishandling of a claim by her car insurer, Advantage Insurance Company Limited.

What happened

A car accident in November 2019 caused Ms B to claim on her policy with Advantage. The car was collected two days later by Advantage's authorised repairer and a few days later she collected a courtesy car. She said her car had seven seats, but the courtesy car only had five, which caused difficulties in transporting children and her pet. Advantage said the car was an upgrade on what she was entitled to under the policy.

The repairer assessed Ms B's car, and authorised repairs with a return expected within four weeks. She said she called the repairer several times to check on collection as she was due to drive for Christmas. But at the last minute she was told it wouldn't be ready and she had to change her plans at considerable inconvenience.

Ms B chased the repair but covid restrictions meant parts couldn't be obtained. She called the engineer in January 2021 who said her car's electronic control unit wasn't working and he agreed to write it off. The write off value was £25,000 and the value agreed with Ms B's lease company was £17,000 (including her payments until January 2021).

Ms B paid monthly lease instalments for over a year and renewed her insurance in October 2020 expecting her car would be back on the road. Ms B complained about the handling of her claim and delayed repair and said this happened in a period for her of loss and great difficulty with covid restrictions. She said if the car had been written off earlier, she could have used the lease payments and insurance as a down payment on a new vehicle.

Advantage responded to Ms B's complaint saying it was sorry about the time taken to decide her car was a write off. It said her insurance cover was still required, but it had considered this in its offer of £500 compensation for its very poor service. It also offered Ms B £1,338.40 for the cost of leasing the courtesy car she was given while her car was in for repairs, and the amount she paid to lease her car for the time hers was in for repairs.

Ms B was unhappy with Advantage's response and referred her complaint to our service. Our investigator recommended the complaint be upheld in part. He said Advantage had provided a courtesy car which was larger than the policy required and had compensated her for the difference between the lease agreement and the one on the car Ms B was provided and this was fair. He said its compensation of £500 for her stress was also reasonable.

The investigator said Advantage's write off offer was fair, and Ms B needed her insurance for the courtesy car. He said Advantage had correctly applied the excess charge. But he said Ms B paid a deposit of £1,844.45 split over the term of the agreement. As Ms B's agreement ended early, part of the deposit was unused and should be refunded by Advantage.

Advantage disagreed with the investigator saying the 'deposit' is in fact part of the initial rental payment and as she wasn't buying the car, it's chargeable regardless of what happened under the agreement. It requested the complaint be referred to an ombudsman.

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 learn that Ms B's car was in for repair for over a year before it was deemed a total loss. This was an unacceptable amount of time, though I can see that Advantage took the decision to write it off due to the continued unavailability of parts. Our service has required insurers to take this step in similar circumstances.

I'm pleased Advantage provided a courtesy car throughout the period that Ms B was without her car. I can well understand her difficulties as this was smaller than her car, but it was a little larger than that which the policy required Advantage to provide. And so I think Advantage treated Ms B fairly here.

Ms B continued to pay the instalments and insurance premiums on her car though she was unable to use it and wants compensation. Ms B wants Advantage to pay the difference between what she insured her car for and the write off settlement. And further compensation for poor service and the stress she's been put through. Ms B would like Advantage to waive the excess charge of £250 as a gesture of goodwill.

Taking each of Ms B's requests in turn, Advantage has offered Ms B compensation for the write off value of her car – she would like the insured value. However, her policy states that a car on a lease agreement will receive the market value or what's required to settle the lease contract, whichever is less. And so Advantage has acted within the policy term with its offer and it wouldn't be fair for it to pay Ms B the difference in value.

Advantage offered Ms B the difference in cost between her vehicle on lease and the lease cost of the courtesy car it provided, and I think this was fair. Ms B said she should get a refund of her insurance premiums as she wasn't able to use her car. But she still needed the cover in place for her use of the courtesy car and so this wouldn't provide a fair outcome.

Our service expects an insurer to repay a policyholder's unused deposit from a lease agreement. Advantage has said this wasn't a loss relevant to the policy. However, the policy is meant to indemnify Ms B for loss. She has no ownership of the car, now written off, but she's suffered the loss part of her deposit. And so I agree with the investigator that it would be fair for Advantage to pay Ms B for the proportion of her deposit relevant to the length of the lease agreement following termination. Advantage has calculated this at £845.37.

I agree with Advantage that it provided very poor service to Ms B and I think that is reflected by its offer of £500 compensation for the stress and inconvenience this caused her. I don't think it needs to go further than this by waiving the excess charge, which is payable by Ms B for the first part of her claim under the terms of the policy.

My final decision

For the reasons I have given above it is my final decision that the complaint is upheld in part. I require Advantage Insurance Company Limited to Pay Ms B £500 compensation for the stress and inconvenience its poor service has caused her – if it hasn't already paid this. And the compensation of £1,338.40 it offered for the difference between her car and the courtesy car.

I also require Advantage Insurance Company Limited to pay Ms B £845.37 being the proportion of her initial deposit which remained unused when her lease agreement ended prematurely.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 28 July 2022.

Andrew Fraser
Ombudsman