

The complaint

Miss S complains about delays in Aviva Insurance Limited's handling of a car insurance claim.

What happened

Miss S had car insurance underwritten by Aviva. Unfortunately, her car was stolen on 9 July 2021 and she made a claim under her policy.

When Miss S chased Aviva four weeks later, she was told the claim had been received in July but hadn't been passed on to the correct team for processing.

Miss S complained about this and Aviva paid her £280 compensation in recognition of the fact that their customer service hadn't been as they would expect.

Miss S had Guaranteed Asset Protection (GAP) insurance – with another company - to cover any shortfall in the value of her car in the event of her having to make a claim.

On 2 September 2021, the GAP insurer contacted Aviva to question their valuation of Miss S's car. Nine weeks later, on 4 November 2021 – and only after further chasing from Miss C - Aviva finally responded to that enquiry, increasing the valuation by around £1,000 to just over £16,000. The claim was finally settled on 18 November 2021.

When Miss S questioned why it had taken so long for the valuation to be reviewed, Aviva admitted this hadn't been progressed at all until Miss S chased them, in mid-October – and it had then taken "*longer than expected*" for their engineer to review the valuation.

Aviva paid Miss S a further £200 in compensation for her "*inconvenience*" (their wording). And they paid her £166 interest on the settlement figure to reflect the fact that it took 133 days to get the payment to Miss S.

Miss S wasn't happy with this outcome and brought her complaint to us. She pointed out that she'd not only suffered distress and inconvenience as a result of the unnecessary delays, but also financial loss.

The car was bought on a finance agreement, in line with which Miss S had to continue to make monthly payments until the agreement was terminated (which would only be once the claim was settled). And she hired a car for a period of time in the hope the claim would be settled rather sooner than it was.

Our investigator looked into it and thought Aviva should cover Miss S's monthly payments for her car for the 13 weeks he thought Aviva had unnecessarily delayed settling the claim. And they should cover four weeks' costs for the car Miss S hired, out of the eight weeks she actually paid for.

Aviva disagreed and asked for a final decision from an ombudsman. They say they shouldn't be required to pay either the car finance payments or the car hire costs.

Miss S also disagreed. She said Aviva should also be asked to refund her monthly premium payments for the time remaining on the policy after her car was stolen.

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.

There's absolutely no dispute here about the facts. Aviva have admitted, in their responses to Miss S's complaints, that the settlement of the claim was unnecessarily delayed. And looking at Aviva's responses and the other information we have relating to this case, it's clear that there were around 13 weeks of unnecessary delays out of the 19 weeks it took for Aviva to eventually pay Miss S the settlement figure.

Aviva have already paid Miss S £646. Their response to Miss S make it clear that this was compensation for her distress and inconvenience – two payments of £280 and £200. And interest on the delayed settlement payment - £166.

I don't think that's unfair or unreasonable compensation for Miss S's distress and inconvenience and for her being deprived of the settlement amount for a period of time. However, it doesn't cover her subsequent financial losses as a result of the unnecessary delays. To be fair to them, Aviva haven't claimed or suggested the £646 was to cover those losses.

Aviva have essentially admitted that there were 13 weeks of unnecessary delays here, where the claim wasn't progressed until Miss S chased them and/or where the engineer took longer than expected to review the valuation of Miss S's car.

The claim took 19 weeks in total to settle. So, I think it's a fair and reasonable assumption that it could and should have been settled within six weeks – even allowing for the discussion with the GAP insurer about the valuation.

Miss S has provided evidence to us that she had to continue to make the monthly finance payments on her car during the period it took Aviva to settle the claim. When they settled, she could pay off the finance agreement and no longer had to make the monthly payments.

So, I can't see any reasonable conclusion to draw from those facts other than this – Aviva's admitted and unnecessary delays in settling the claim caused Miss S to make 13 weeks' more payments than she'd have had to make if they'd settled the claim within a reasonable time.

When Aviva asked for this final decision, saying they disagreed with our investigator's view, they simply said they didn't think they should pay for the 13 weeks' finance payments Miss S had made. They didn't provide any explanation or rationale for this stance at all.

So, I can't see any possible logical argument to suggest Aviva shouldn't fully compensate Miss S for the additional unnecessary payments she had to make. And I'm going to require them to cover those payments for the 13 weeks suggested by our investigator.

Miss S's policy didn't include the provision of a hire car whilst a claim was settled. So, if Aviva had settled this claim within a reasonable time, I wouldn't think it fair or reasonable to ask them to cover those costs.

Miss S says she had to have a hire car to get around. It was costly, but she quite reasonably assumed at the outset that she'd only need the car for the few weeks it would take Aviva to

settle the claim.

In fact, she had the car for eight weeks, at which point it became apparent that it wasn't a sustainable way to carry on given the delays in Aviva settling the claim. And at that point, she decided to buy a replacement car despite the fact that the claim still hadn't been settled.

Had Miss S known what would happen with her claim, she would in all likelihood have made the decision she eventually made after eight weeks of paying for a hire car and bought a new car almost immediately. Given that she didn't know at the time how long the claim would take, I don't think it was unreasonable to hire a car for a limited period.

It is arguable that even if Aviva had settled the claim reasonably quickly, Miss S would still have needed a hire car for a time (until she could buy a replacement car) – and she wasn't covered for those (reasonable) costs under her policy. So, I agree with our investigator that Aviva shouldn't have to pay for the full eight weeks that Miss S had the hire car.

However, Miss S wouldn't have needed to keep the hire car for the full eight weeks if Aviva had handled the claim in a timely manner. And it's not unreasonable to assume that Miss S might have been able to buy a new car within around four weeks, had she known the claim was going to take so long to be settled. So, on balance, I agree with our investigator that Aviva should pay for four weeks' hire car costs out of the eight weeks Miss S paid in total.

Just to clear up the issue Miss S raised in response to our investigator's view. The premium to be paid for Miss S's insurance was an annual premium. She may have been allowed to pay monthly, but Aviva in effect ask for a premium to cover a year's insurance cover. They calculate that premium according to the risk of an insured event (or events) occurring within a year.

Miss S will appreciate that it might seem a bit odd to take the advantage of that cover – to the fullest possible extent in this case given that Aviva eventually paid her the value of her car – and then ask for a proportion of the premium to be returned.

In those circumstances, we generally think it's fair if the insurer offers to take any new car on to the policy (with any adjustments) and allow it to run for the rest of the year. Miss S decided not to do this – understandably given her experience of Aviva's service, but that was her choice. But we wouldn't expect an insurer to return a proportion of the premium after a claim has been settled part-way through the insured period. In effect, the customer in that case has had full value for their annual premium.

Putting things right

In summary, in addition to the compensation for distress and inconvenience and the interest paid on the settlement figure, both of which Aviva have already paid to Miss S (total £646), they must also pay Miss S: 13 weeks' worth of payments Miss S made under her car finance agreement; and four weeks' of the car hire costs Miss S paid.

Miss S will no doubt provide Aviva with proof of both of those payments if she hasn't done so already.

I also agree with our investigator that Aviva should pay 8% simple interest on the payments I'm now requiring them to make to Miss S. In effect, she has been deprived of that money for a period of time.

Interest on the car finance payments should be calculated from the date six weeks after the claim was made on 9 July 2021 (the reasonable time at which the claim could and should

have been settled – at which point Miss S could have paid off the finance agreement) to the date this payment is made by Aviva.

Interest on the car hire payments should be calculated from the date on which Miss S made the car hire payments (for the final four weeks of the period she hired the car) to the date this payment is made by Aviva.

My final decision

For the reasons set out above, I uphold Miss S's complaint.

Aviva Insurance Limited must:

- pay Miss S an amount to cover her car finance payments for 13 weeks;
- pay Miss S an amount to cover her car hire payments for four weeks;
- pay Miss S interest at 8% simple on both of those amounts (dates between which to apply the interest calculation are set out above).

If Aviva Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss S how much it's taken off. It should also give Miss S a tax deduction certificate if she asks/ask for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 28 April 2022.

Neil Marshall
Ombudsman