

## **The complaint**

Mr B has complained about the delay Highway insurance Company Limited caused and the cash settlement offer it made when he made a claim under his specialist vehicle insurance policy.

All reference to the insurer Highway in my decision includes its agents.

## **What happened**

Mr B damaged his motorhome and made a claim to his insurer, Highway in April 2021.

Highway arranged for Mr B's motorhome to be inspected by an engineer. Highway accepted Mr B's claim and said Mr B could arrange for his motorhome to be repaired. Mr B told Highway that the parts required to repair his motorhome were no longer available as they were no longer being made. Highway couldn't find the parts to repair Mr B's motorhome. So it wasn't possible for Mr B's motorhome to be repaired.

In July 2021 Mr B asked for an update on his claim, but Highway didn't respond until December 2021. In January 2022 Highway made a 'cash in lieu' (CIL) offer to Mr B for the estimated costs of the repairs which came to £2,870.

In February 2022 Highway upheld Mr B's complaint for failing to provide him with any updates on his claim between July 2021 and December 2021. For the delay it caused, it offered Mr B £450 compensation.

Our Investigator thought Highway should indemnify Mr B. He didn't think that providing a CIL payment for the costs of the repairs – when it wasn't possible to repair Mr B's motorhome without the parts – was enough. So as it wasn't possible to repair Mr B's motorhome, the Investigator recommended Highway pay the market value for Mr B's motorhome. This was based on a valuation provided by an engineer who inspected Mr B's motorhome and valued it at £22,000.

Highway didn't agree. It said its terms and conditions are clear that it will settle as a CIL payment where it is unable to carry out the repairs.

So as Highway didn't agree, the case 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.

There's no dispute that Highway caused a significant delay in its handling of Mr B's claim,. Its claim notes show that Mr B made it aware that parts were unavailable for his motorhome in July 2021. But Highway didn't take any action until December 2021. I think the

compensation Highway offered for its delay of £450 is reasonable and in line with awards we make for similar cases.

The purpose of Mr B's insurance policy is to provide indemnity in the event of a claim. Highway accepted Mr B's claim to repair his motorhome.

The key sections of Mr B's policy with Highway says:

*"Claims*

*How We may pay Your claim*

*We may:*

*pay for the damage to be repaired; or*

*give You an amount to replace the lost or damaged vehicle or item; or*

*replace Your Vehicle or any item.*

*If Your policy is not 'Agreed Value' the most We will pay will be:*

*i) the market value of Your Vehicle just before the loss or damage (including its accessories and spare parts); or*

*ii) the cost of repairing Your Vehicle but not exceeding the market value"*

and;

*"Unavailable Parts or accessories*

*If any lost or damaged part or accessory is no longer available, the most We will pay will be the cost shown in the manufacturer's last price list, and the reasonable cost of fitting.*

*We will not pay for the whole cost of any repair or replacement that leaves Your Vehicle in a better condition that it was before the loss or damage. If this happens You will have to pay part of the cost of repair or replacement."*

I've looked at the engineer's assessment of Mr B's motorhome. They wrote that the motorhome wasn't roadworthy.

Even though Highway's policy has a term for unavailable parts - I don't think in this case that it's fair for Highway to apply it – as it leaves Mr B in a worse position. I don't think it's a fair or reasonable outcome for Mr B to be left with an unroadworthy motorhome that isn't possible to repair when he has a valid claim.

So in this case I think the only reasonable alternative is for Highway to indemnify Mr B by paying him the market value for his motorhome – based on the engineer's valuation – of £22,000 , minus any settlement offer its already paid if Mr B has cashed such settlement. Mr B's motorhome will then become the property of Highway.

## **My final decision**

My final decision is that I uphold this complaint. I require Highway Insurance Company Limited to do the following:

- settle Mr B's claim by paying the market value of £22,000 minus any cash in lieu settlement already paid and cashed by Mr B.
- pay interest on the settlement sum at a rate of 8% simple interest a year from the date of the claim to the date it pays Mr B.
- pay Mr B a total of £450 compensation (if it hasn't already paid it) for the distress and inconvenience caused by its poor service and delay.

Highway Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

If Highway Insurance Company Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 May 2022.

Geraldine Newbold  
**Ombudsman**