

The complaint

Ms P complains about Haven Insurance Company Limited (HIC) and the service they provided after she was involved in a road traffic accident. This includes the valuation of her vehicle and their decision to deduct her outstanding premiums for the policy year.

Ms P has been represented by Mr J throughout this complaint. For ease of reference, I've referred to any comments made, and actions taken, by both Ms P and her representative as "Ms P" throughout the decision for ease of reference.

What happened

Ms P held a motor insurance policy underwritten by HIC, which was inceptioned in January 2021. In May 2021, Ms P was involved in a road traffic accident that led to her car being deemed a total loss.

Ms P dealt with the company acting on behalf of the third-party insurers initially. But she was referred to HIC to deal with the total loss aspect of her claim. And HIC offered Ms P a pre-accident valuation (PAV) payment of £1,737.30, after her excess and outstanding policy premiums had been deducted. Ms P didn't think this valuation was fair. So, she raised a complaint.

Ms P was unhappy with the valuation placed on her vehicle. She thought it was too low compared to the price she bought it for, and she explained the final PAV payment she'd received wouldn't allow her to purchase a new vehicle of a similar make and model. So, she wanted the valuation to be increased. Ms P was also unhappy with the excess amount as she didn't think she'd agreed to an excess so high. And she didn't think it was fair for HIC to deduct her outstanding policy premiums when she'd insured another car with them. Finally, Ms P was unhappy that she hadn't been offered a courtesy car and the time it took for her claim to be settled.

HIC responded and didn't agree. They thought they had acted fairly, and in line with the terms of Ms P's policy, when processing and settling the claim. And they thought the PAV payment they offered was reasonable. So, they didn't think they needed to do anything more. Ms P remained unhappy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and upheld it in part. They didn't think HIC's valuation was fair, as it didn't consider two trade guide valuations that were for higher than the valuation HIC used. So, they thought this should be increased. And they didn't think HIC were fair to deduct Ms P's outstanding premiums, as Ms P had insured a new vehicle with them to replace the vehicle deemed a total loss. So, they thought this should be refunded to Ms P. But they did think HIC had applied the policy excess fairly and has acted reasonably in terms of the time it took to settle the claim and the offering of a courtesy car.

So, overall, they thought HIC should pay Ms P a total of £634.16 plus 8% statutory interest from the date the original settlement was paid until the recommended amount is paid to Ms P.

Ms P accepted this recommendation. But HIC only accepted it in part. They agreed to increase Ms P's PAV payment, plus the 8% statutory interest. But they didn't agree to refund the outstanding premium amount they originally deducted, as they thought this amount had been deducted fairly, in line with the terms of their policy. As HIC didn't agree to our investigator's entire recommendation, the complaint has been passed to me for a decision.

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.

Having done so, I'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

I recognise that Ms P accepted the entirety of our investigator's original recommendation. So, I think it's reasonable for me to assume that Ms P accepted our investigator's conclusion that the excess HIC have applied, as well as the length of time it took to settle the claim, was reasonable. So, I haven't commented on these issues any further.

I also acknowledge that both Ms P and HIC accept the original valuation placed on Ms P's vehicle was unfair. And they have both accepted that HIC should pay Ms P an additional £259.46, which brings the valuation in line with the average of all three trade guides. This average has been calculated in line with the standard industry approach, so I think this increase is a fair one. And as it's not been disputed by either party, I won't be discussing this in any further detail.

Instead, my decision has focused on the main area of dispute, which centres around HIC's decision to deduct Ms P's outstanding policy premiums from the PAV payment she initially received.

HIC think they acted in line with the terms of Ms P's policy when deducting these premiums and so, they don't think this amount should be refunded to Ms P. I've looked at the terms of Ms P's policy, and I don't dispute it states that if HIC make settlement of the market value of Ms P's car, they will *"deduct any outstanding premiums from any settlement due"*. So, I can understand why HIC believe they've acted fairly, and in line with the policy terms.

But the terms also explain in the same situation *"unless we agree to let this insurance continue on a replacement vehicle, the insurance will end of the date you accept settlement"*. So, for the deduction to apply, I think it's reasonable for me to assume Ms P's insurance policy would need to have ended and no replacement vehicle added to the policy.

I can see from HIC's system notes, and I can hear from the call recordings from HIC provided, that Ms P was initially provided with the PAV offer on 7 July. And I can see from this date, she entered into discussions with HIC about the PAV and her dispute about its amount. HIC handled Ms P's complaint around this and following their response, I can see Ms P spoke to HIC on 27 July, where it was confirmed that Ms P's policy was still valid until January 2022. And on this call, Ms P explained she intended to insure another vehicle on that policy.

I can see HIC then transferred Ms P over to the broker associated with the sale of the original policy to discuss this, where a new vehicle was insured on a policy underwritten by HIC. And the following day, Ms P requested that the outstanding premiums be refunded on this basis. HIC refused this request. So, I've thought about whether this was fair for HIC to

do. And I don't think it was.

When our service considers a complaint, it will take it account any terms and conditions associated to an agreement or a policy and think about whether a business has acted within these. But as well as this, we will also think about whether we think that business has acted fairly when doing so.

In this situation, I don't dispute a term in Ms P's policy allows HIC to deduct the outstanding policy premium from a PAV payment where an insured vehicle has been deemed a total loss. But I do think the terms also suggest this is done where a policy has ended, and no replacement vehicle has been insured with HIC.

And our service's general approach to situations like this is that, if a customer has insured a replacement vehicle with the same insurer within a reasonable amount of time, then a deduction of outstanding premiums is unfair.

Ms P insured a replacement vehicle on a policy underwritten by HIC within four weeks of the initial PAV being offered to her. Considering Ms P's dispute of this valuation, and the time it took for HIC to respond to this dispute, I don't think this is an unreasonable amount of time. So, I think made a reasonable attempt to continue with her insurance policy. And because of this, I don't think HIC have acted fairly when deducting the outstanding policy premiums from Ms P's PAV amount. So, I've then thought about what I think HIC should do to put things right.

Putting things right

Any award or recommendation I make is intended to place Ms P back in the position she would've been in, had HIC acted fairly in the first instance.

In this situation, had HIC acted fairly, I think they would've obtained trade guide valuations in line with standard industry practice when they first valued Ms P's vehicle. And if they had, I think the average of these guides would've led to a higher valuation than the amount Ms P received. So, I think HIC should pay Ms P an additional £259.46 to ensure she receives a fair valuation for her vehicle.

And if HIC had acted fairly, I think they would've recognised Ms P's attempts to insure another vehicle with them and treat this as a continuation of her original policy. And in this situation, I wouldn't then expect HIC to deduct Ms P's outstanding policy premiums. So, I think HIC should refund the outstanding premium charge of £374.70.

I also think HIC should add 8% statutory interest to these payments, from the date the claim was originally settled to the date they are paid to recognise the length of time Ms P has been without these funds unfairly.

I understand this isn't the outcome HIC were hoping for. And I recognise they have returned the policy premiums to Ms P's broker, so they feel this is something Ms P should raise with the broker instead. But I think this deduction was made as part of the claim process, which HIC are responsible for. I don't think it's fair for Ms P to be left out of pocket unfairly, due to actions taken between HIC and the broker themselves. So, this hasn't impacted the decision I've reached.

My final decision

For the reasons outlined above, I uphold Ms P's complaint and I direct Haven Insurance Company Limited to take the following action:

- Pay Ms P a total of £634.16, to reimburse her for the outstanding premium charge and difference in valuation of her vehicle; and
- Add 8% statutory interest to this amount from the date Ms P's claim was original settled to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 14 July 2022.

Josh Haskey
Ombudsman