

The complaint

Mr C complains about Advantage Insurance Company Limited's settlement of his car which left him with an outstanding amount to pay on his lease agreement. He is also unhappy with the length of time taken for Advantage to deal with the claim.

What happened

Mr C leased a car on a hire agreement and insured it through Advantage. On 28 November 2019 his car was stolen so he claimed for the loss on his car insurance policy.

Advantage asked Mr C to obtain a settlement figure from the lease company which it would then pay under the insurance policy.

Advantage paid the lease company when Mr C obtained the settlement figure. The policy excess of £250 and the outstanding insurance premium of £104.20 was deducted by Advantage since it was owed by Mr C. So the payment to the lease company was short by £354.20. Mr C felt Advantage had taken longer than it should have to deal with his claim. And so he made a complaint.

Advantage didn't uphold the complaint. It said Mr C's car was stolen on 28 November 2019 and the investigation into the theft was completed on 6 December 2019. On that date Advantage asked Mr C to obtain a settlement figure from the lease company which it didn't receive until 3 January 2020. Advantage said it raised payment on the same day. It said it had acted in line with the terms of the policy.

Mr C wasn't happy with the response received from Advantage so he referred his complaint to this service. Our investigator looked into things for him. He said he was satisfied Advantage had paid the settlement figure as quoted by the lease company, minus a reduction for the policy excess and the outstanding insurance premiums. The investigator said Advantage should also pay Mr C a portion of his lease agreement deposit since he didn't have use of the car for the full period of the agreement.

Advantage didn't agree with the investigator's view regarding the refund of the deposit and so asked that an Ombudsman review the complaint.

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've considered what each party has said carefully. But in the decision I will focus on what I see as being the key issues.

Settlement figure for the theft of the car

Mr C said he's out of pocket because of the manner in which Advantage settled the claim. So I've looked at how it did that.

As the insured car was leased Mr C didn't own it, the lease company did. And under the terms of the lease he didn't have any entitlement to own the car. Mr C's policy said that in those circumstances if the car is on lease the insurer, "*will pay the lease company either the market value of the car, or the amount required to settle the contract, whichever is less.*"

The lease company told Advantage it needed to pay £18,716.29. And so Advantage paid that minus the deposit and remaining premiums; a total of £18,362.09. I appreciate this left Mr C with a small amount to pay on the lease but I think Advantage acted reasonably in settling the claim with the lease company, in line with the terms and conditions of the policy.

I can see Advantage dealt with the claim promptly once the settlement figure was provided. So I'm satisfied there were no unreasonable delays by Advantage in settlement of the claim.

Deposit

But Mr C has lost out in this claim. When taking out a lease agreement it's common for the consumer to pay a sum upfront. And where this happens the consumer can lose out when the car is written off early into the lease agreement since the initial upfront payment is non-refundable, which is what happened.

Most of the time the payment to end the lease is less than the market value of the vehicle, as is the case here. Some insurers say if the market value is more than what's due under the lease agreement, the difference will be paid to the consumer.

If the policy is silent on this point, and just says the most it will pay is the full market value for a total loss/write-off, I'd expect the insurer to pay the amount required by the lease company plus an amount to cover a proportion of the deposit.

This is because the policy is meant to indemnify the customer for their loss and not put them in a better position financially. As the customer has no equity in the lease vehicle, the only loss they suffer is the unused part of their deposit.

In this situation I think a fair outcome is Advantage should pay Mr C a proportionate amount of deposit based on how long was remaining on the lease agreement when the car was stolen. So the payment would be based on the following;

- Deposit £1726.50 - £287.75 (advanced monthly payment) = £1,438.75
- £1,438.75 divided by 36 (the length of the lease) = £39.96 x 29 (months left on lease)
- Total £1,158.84

Given Mr C only had the car for around seven months out of a total of 36 months I think he should only be liable for that portion of the lease.

My final decision

For the reasons set out above I uphold this complaint.

I require Advantage Insurance Company Limited to pay Mr C £1,158.84 plus 8% simple interest per year from the date it settled the claim until Mr C is refunded.

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

Kiran Clair
Ombudsman