

The complaint

Mr T complains that U K Insurance Limited (U K Insurance) delayed paying a settlement payment when his car was written off, under his motor insurance policy.

What happened

Mr T's car was damaged. So, he made a claim to U K Insurance in December 2021. A settlement payment was offered in mid-January 2022, which he accepted. But he says this wasn't paid until the end of February and wasn't for the full amount.

U K Insurance says the payment it provided included a deduction for salvage. It says this was a mistake and that Mr T made contact with it to let it know. It investigated the issue and paid the remaining amount owed in March 2022. This took around ten days.

UK Insurance says Mr T was provided with a hire car for the full period this matter took to resolve. And it offered £125 in compensation to apologise for the poor service.

Mr T says the delay and mistake when paying his settlement figure caused him frustration and meant he had to find additional funds to buy a replacement car. Because he wasn't satisfied with U K Insurance's response, he referred his complaint to our service.

Our investigator upheld his complaint. He says Mr T had to wait too long to receive a settlement payment, and U K Insurance's poor handling meant ongoing contact was necessary. Our investigator didn't think there was a good reason why the payment was delayed. He said U K Insurance should pay a total of £250 in compensation as well as interest for the period of the delay.

Mr T accepted our investigator's findings. U K Insurance disagreed. It says whilst there was an initial delay and then a further delay in part of the settlement being provided, it supplied a hire car throughout. It says 87% of the settlement payment was provided toward the end of February and only a small percentage remained outstanding. It thinks the compensation it offered fairly acknowledges the two-month delay and the customer having to chase progress.

Our investigator didn't change his mind and so U K Insurance asked for an ombudsman to consider the complaint.

It 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.

Having done so I have decided to uphold Mr T's complaint. Let me explain.

There is no dispute between the parties about whether a settlement payment was appropriate as a result of Mr T's claim or about the amount that was offered. My remit here is

to consider whether U K Insurance treated Mr T fairly when providing the settlement payment, including the time it took to handle his claim.

I can see that Mr T first contacted U K Insurance to register his claim on 21 December 2021. It's reasonable to expect an engineer was needed to assess the damage and determine whether a repair was possible. When the car was found not to be repairable a valuation figure was offered, which Mr T accepted. This is what we'd expect to happen in these circumstances. But I don't think it's reasonable for it to have taken as long as it did.

From registering the claim to receiving the settlement payment took just over two months. U K Insurance hasn't given a clear explanation of why it took this long.

A mistake was made when the payment was calculated, which meant a further ten-day delay in Mr T receiving the full amount he was owed. The outstanding payment for £390 was subsequently paid on 7 March 2022, which U K Insurance says amounts to the salvage value that was incorrectly deducted.

I have thought about the impact this had on Mr T. I can see from the records, and from Mr T's comments, that he made a number of calls chasing progress during the period U K insurance had his car. The notes say he needed a car for work and the funds were required so he could look for a replacement. It's not clear why when the settlement value was agreed on 10 January 2022, it took until 24 February to provide the payment. But I can see Mr T chased this several times. This must have been frustrating for him and caused inconvenience. I accept that this delayed his plans to purchase a replacement car.

U K Insurance says it provided a hire car for Mr T from 22 December 2021 until 22 March 2022. This covered the full period Mr T was without his car, and a short period after the final payment was made. I acknowledge its comments that this is longer than the policy terms provide for a hire car when a vehicle is written-off. But the reason a hire car was needed is because the initial settlement payment wasn't provided for two months, with a further ten-day delay until the full payment was finally made. In these circumstances I think it was reasonable that a hire car was made available for the full period Mr T was without a car.

We expect insurers to handle claims effectively. In Mr T's case this meant establishing the car wasn't repairable and providing a settlement payment in a timely manner. It took too long for this to happen and I think this justifies a higher compensation payment than U K Insurance offered. Because of the delays, the contact Mr T had to make, the mistake with the settlement payment amount and the frustration he was caused, I think a total compensation payment for £250 is fair.

In summary I don't think U K Insurance treated Mr T fairly in how it handled his claim, and it should pay a total of £250 compensation plus interest for the time the payment was delayed.

To ensure both parties were clear on the period and amounts interest will be payable for, we contacted them with the following information and asked for any comments prior to this decision being issued.

We confirmed interest will be payable from 10 January 2022 to 24 February on £2,210. As well as interest on the remaining amount of £390 from 10 January until 7 March. This is the date when the remaining sum was paid.

Neither party responded with any comments for me to consider on this point.

My final decision

My final decision is that I uphold Mr T's complaint. UK Insurance Limited should:

- pay Mr T a total of £250 compensation for the frustration and inconvenience he was caused; and
- pay 8% simple interest for period 10 January 2022 to 24 February on £2,210, and for the period 10 January to 7 March on £390. *If U K Insurance considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a certificate showing this 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 T to accept or reject my decision before 14 October 2022.

Mike Waldron
Ombudsman