

## **The complaint**

Mr S has complained about Covea Insurance plc's decision to avoid his car insurance policy when he made a claim. Mr S also complained that the total loss settlement it paid for his damaged car wasn't enough.

## **What happened**

Mr S was involved in an incident and his car was damaged. He made a claim to his insurer, Covea. Mr S had an additional benefit under the policy called 'car replacement cover'. This meant that Covea would provide a replacement car for 21 days if Mr S's car was deemed a total loss.

Mr S's car was deemed a total loss. But he wasn't provided with a replacement car. Covea avoided Mr S's policy. This meant it didn't pay anything under the claim he made.

Mr S complained to Covea. It upheld his complaint as it had avoided his policy in error. It reversed its decision and for the distress and inconvenience caused, it paid Mr S £250 compensation. It provided a refund of £23 as the equivalent cost of replacement car cover for one month. It paid a total loss settlement for his car.

Mr S asked us to look at his complaint. He explained that he works as a courier driver. When Covea avoided his policy, the impact was significant on his ability to work, his finances, on his ability to see his children and his mental health.

Mr S provided details of courier jobs that had been cancelled and the amounts he'd expected to be paid for each job. He also provided evidence of costs of temporary car insurance during the period his policy was avoided along with taxi fare receipts.

Mr S didn't think the total loss settlement Covea paid was fair.

Our Investigator didn't think Covea had done enough to put things right for Mr S. He thought Covea should do the following in addition to the £250 compensation it had paid Mr S:

- Reimburse Mr S for taxi fares totalling £323 with interest during the 21 day period when Mr S was entitled to a replacement car.
- Pay £3,177 with interest to Mr S to reflect lost wages until Covea overturned its avoidance decision.

The Investigator checked the main motor trade guides in line with our approach and thought Covea had paid a fair total loss settlement after deducting a salvage fee as Mr S wanted to keep his car. He didn't recommend Covea cover the costs Mr S paid for temporary insurance or the cost to replace a headlamp.

Mr S accepted the Investigators' findings. Covea didn't agree. In summary it says it did enough to resolve Mr S's complaint. It wouldn't consider loss of wages as this is an uninsured loss.

So Covea wants an ombudsman 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.

The remaining issue for me to decide is whether Covea has done enough to put things right for Mr S in light of the consequences of its decision to avoid his policy. I don't think it has and I agree with the Investigator's recommendations.

Mr S has explained that he couldn't get to work as a courier driver when Covea avoided his policy. He told us his employer didn't have the confidence to get insurance cover for Mr S to continue or take work in light of the avoidance. Mr S felt he had been "black-listed" as no employer would want to provide insurance cover for him to drive. Mr S explained that he was embarrassed at having to declare he'd had an insurance policy avoided.

When things go wrong we look at what the impact was and what a business did to put things right. We also consider what a customer could have done to mitigate their losses.

In this case I'm satisfied that Mr S didn't believe he could hire a car because of the avoidance recorded against him. And as the replacement car cover was cancelled when the policy was avoided, Mr S had no recourse to obtain an alternative vehicle here. This was an additional benefit Mr S paid for under the policy so that he had some peace of mind that he had use of a car for an interim period even if his car was stolen or written off.

Mr S has described the impact of Covea's incorrect decision to avoid his policy. He says he had sleepless nights and considerable anxiety. At times he says he was overwhelmed with suicidal thoughts. He said he had to borrow money and wasn't able to repay on time which caused him considerable worry and stress. He says he wasn't able to see his children as before and this caused considerable upset to him. The prospect of losing work and not having access to a vehicle impacted on Mr S's mental health and family life.

Mr S has provided details of courier jobs and the amounts he was due to be paid per job which were cancelled during the period Covea didn't provide a replacement car and avoided the policy. I'm satisfied that Mr S - but for the actions of Covea - would have been able to carry out this work.

Covea says loss of wages is an uninsured loss. However, Covea's error in avoiding Mr S's policy incorrectly had a serious impact on Mr S. We look at what is fair and reasonable as well as what a policy says.

While I think Covea's decision to pay compensation of £250 and refund £23 for the replacement car benefit payment goes some way to resolving the complaint, I don't think it is enough to put things right for Mr S.

I think a fair outcome is for Covea to meet the equivalent costs of lost wages during the period Mr S wasn't given a replacement car until the date the avoidance was overturned. I think Covea should pay interest on this amount - along with the transport costs Mr S paid during the same period - as this is money Mr S should have either received (in wages) or shouldn't have had to pay (in fares).

So I'm upholding Mr S's complaint.

## **My final decision**

My final decision is that I uphold this complaint. I require Covea Insurance plc to do the following:

- Reimburse Mr S for taxi fares totalling £323 during the 21 day period when Mr S was entitled to a replacement car.

- Pay £3,177 to Mr S to reflect loss of wages until Covea overturned its avoidance decision.
- Pay interest on the total sum of £3,500 at a rate of 8% simple interest from the date of the claim to the date it pays Mr S.

Covea Insurance plc must pay the compensation within 28 days of the date on which we tell it Mr S 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 November 2022.

Geraldine Newbold  
**Ombudsman**