

The complaint

Mr I complains that Nelson Insurance Company Ltd took too long to pay his claim on his commercial vehicle insurance policy.

What happened

Mr I's taxi was stolen so he claimed on his policy with Nelson. Nelson appointed an investigator to review the claim and asked for the Police report on the theft. As the claim was taking too long Mr I complained.

Nelson reviewed the complaint and said as they hadn't received the Police report they were unable to pay the claim. Nelson eventually received the Police report around six months after the theft and then paid Mr I's claim. Nelson didn't think they'd done anything wrong as their internal procedures meant they needed the Police report before paying the claim.

Mr I didn't think this was good enough and referred his complaint here. He said he'd had to rent a replacement taxi at the cost of £140 per week. He thought Nelson should compensate him for taking too long to pay his claim.

Our investigator looked into the complaint and recommended it be upheld. She found that there had been delays in Nelson progressing the claim and that it had taken a few months for the Police to send the report to Nelson. Our investigator didn't think Nelson had dealt with the claim promptly and so recommended Nelson pay Mr I the amount he paid to rent a replacement taxi, or if he was unable to evidence what he'd paid, then to pay him £10 per day loss of use. She recommended this was calculated from 1 January 2022 until the date the total loss settlement was paid.

Nelson didn't agree, they said it wasn't their fault the Police report had taken a few months and without it they couldn't pay the claim. Nelson also said they didn't think it was fair to calculate the compensation from two weeks after their investigator interviewed Mr I.

As Nelson didn't agree the complaint has come 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.

The Insurance Conduct of Business Sourcebook (ICOBS) says that a firm should handle claims promptly and fairly. Given Mr I's claim was also for his taxi which provides his income I think it particularly important to ensure his claim was dealt with promptly. However an insurer should also have sufficient time to review and assess claims accurately.

Mr I claimed on his policy for his stolen taxi on 26 November 2021. His claim then wasn't paid until 17 May 2022. This meant Mr I was without his taxi for some time. So I've considered the reasons for this.

I can see that Nelson appointed an investigator to review Mr I's claim. The investigator interviewed him Mr I 17 December. In the investigator's report it says

"The police report would only confirm the details given as they did not attend the scene. There would probably be very little, if any investigation."

I understand Nelson didn't have any concerns about the theft and that they needed to see the Police report to see if there were any discrepancies. While I don't think it's unreasonable for Nelson to check the Police report or want to see it. I do think it's unreasonable for Mr I to wait almost six months for his settlement, particularly when Nelson's investigator has said they think the Police report would only confirm the same details they obtained. I'm therefore not persuaded Nelson dealt with Mr I's claim promptly, as they should.

I've therefore looked at the impact this had on Mr I. Mr I explained he had to rent a replacement taxi and it cost him £140 per week. He's also provided some documents to show he's rented a taxi, I can see the agreement covers this time but the statements showing he's paid it are dated after May 2022. Therefore, Nelson should pay Mr I £140 per week to reimburse him for the hire. This needs to be calculated from 1 January 2022 until 17 May 2022, subject to Mr I providing evidence he paid for the replacement taxi hire during this time. Nelson should also add 8% simple interest per year to this amount to compensate him for not having the money. The interest should be calculated from the date Mr I made the payments until the date Nelson pays the settlement. If Mr I is unable to provide this evidence, then Nelson should pay him £10 per day between these two dates, for the dates Mr I is unable to show he hired a replacement taxi.

I understand Nelson said it doesn't think two weeks after their investigator produced their report is a reasonable time scale to calculate the compensation from. However I disagree, I say this because Mr I claimed for his stolen taxi on 26 November 2021 and therefore his loss of use is calculated from a little over a month later. Given Mr I initially had a hire car provided under a different policy and that Nelson had all it was likely to get by 17 December 2021, I'm not persuaded calculating Mr I's loss of use from 1 January 2022 is unreasonable in this particular case.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require Nelson Insurance Company Ltd to pay Mr I £140 per week for the replacement rental taxi, calculated from 1 January 2022 until 17 May 2022, subject to Mr I providing evidence he paid for the replacement taxi during that time. 8% simple interest per year should also be added to this amount, calculated from the dates Mr I made the payments until the date settlement is made.

If Mr I is unable to provide evidence of the payments made to hire a taxi, Nelson Insurance Company Ltd should pay him £10 per day for loss of use during 1 January 2022 until 17 May 2022 for the dates Mr I is unable to show he hired a replacement taxi.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 19 December 2022.

Alex Newman
Ombudsman