

## **The complaint**

Mr O complains about the settlement amount given to him by Great Lakes Insurance SE following a claim he made on his commercial vehicle insurance policy.

Reference to Great Lakes includes its agents.

## **What happened**

Mr O holds a commercial vehicle insurance policy with Great Lakes. After his car was stolen, he made a claim to Great Lakes which it accepted and paid. Mr O's car was purchased on finance, so, to settle the claim, Great Lakes paid the finance company the remaining balance.

Mr O didn't think this was fair. He said he paid a large deposit – roughly £10,000 – toward the finance company. And he's said the finance agreement allowed him to own the car at the end if he paid a final balloon payment. He also said that not receiving anything following his claim meant he wasn't able to purchase another car, so he had to rent one. And he's said this was more expensive than a finance deal.

Great Lakes didn't uphold Mr O's complaint. It said it had paid out what the policy required it to. So, Mr O brought his complaint to us.

One of our investigators recommended it be upheld. He thought that while there was a term in the policy limiting Great Lake's liability when the insured vehicle was funded by a finance agreement, he didn't think applying that term in this case was fair. He also didn't think Great Lake's had fairly valued Mr O's car. He recommended Great Lakes pay Mr O the difference between the market value of the car and the remaining balance on the finance, the difference between his rental costs and what he would have paid toward the finance agreement during that time and £400 compensation for the trouble and upset caused.

Mr O agreed with our investigator's assessment. Great Lakes didn't and asked for an ombudsman's 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 it. I'll explain why.

- Mr O's policy with Great Lakes does have a term limiting the amount Great Lakes need pay when the vehicle is on finance. It says: *"If the Market Value We place upon the Insured Vehicle is greater than the amount owed to the lease / hire company, We will pay them only the amount of the outstanding finance, which will settle the claim in full."* But this term relates to finance agreements where there is no legal right to the title of the vehicle, e.g. a hire agreement or a lease. Mr O's finance agreement was a PCP agreement, giving him the option to purchase the vehicle at the end of the

agreement. So, I don't find this term applies here.

- I think the relevant term in the policy sits just above the one just quoted. It says: *"If the Market Value We place upon the Insured Vehicle is equal to or greater than the amount owed to the finance company: We will pay the finance company first and then settle the balance with the legal owner of the Insured Vehicle."* So, I think the fair and reasonable thing to do would have been for Great Lakes to have settled the finance on the vehicle, then paid the remaining balance to Mr O, as he would have become the legal owner of the vehicle once all the finance was paid. So, I agree with our investigator that Great Lakes should pay Mr O the difference between the market value of the vehicle and the total amount outstanding on the finance agreement (including any balloon payment).
- The policy says Great Lakes will pay the market value of the vehicle, not the trade value as it originally did. Using the trade guides, I think a fair market value would be £31,285, the average of the available guides as this follows our usual approach and I've not been provided anything to persuade me that following it would be unfair or unreasonable.
- Mr O's car is a taxi, he needed it to work. So, I think it's reasonable he hired another one rather than go without work. Without a large sum of money up front to purchase an alternative taxi outright or put toward a deposit on another vehicle, I think this was a reasonable course of action. So, I'm satisfied Great Lakes should pay Mr O the difference between the rental invoices, and the amount he'd have paid toward the finance for the same time period. This is because had Great Lakes settled the claim fairly initially, I find it likely Mr O would have used the deposit to purchase another vehicle and find the monthly payments would likely be less than the rental payments.
- Not being paid a fair amount to settle the claim, and having to be in hire for a long period would have been distressing and inconvenient to Mr O. Great Lakes should pay him £400 to compensate for this.

### **My final decision**

For the reasons set out above. I uphold this complaint. To put things right I require Great Lakes to:

- Pay Mr O the difference between the market value of the car and the total amount outstanding on the finance agreement. The market value of the car should be taken as £31,285.
- Pay Mr O the difference between what he would have paid toward the finance agreement and what he paid in hire car costs. This payment should be calculated from the date Great Lakes settled the claim with the finance company to the date it pays Mr O, subject to him providing invoices. This payment should include 8% simple interest. Interest should be calculated from the date Great Lakes settled the claim with the finance company, to the date it makes this payment to Mr O.
- Pay Mr O £400 compensation for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 8 February 2023.

Joe Thornley

**Ombudsman**