

The complaint

Mr A complains Covea Insurance Plc (Covea) took too long to settle his claim and that he had to pay his insurance premiums when he was without a car.

Covea are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the intermediary. As Covea have accepted it is accountable for the actions of the intermediary, in my decision, any reference to Covea includes the actions of the intermediary.

What happened

On 4 May 2022 Mr A was involved in a collision with two third-party vehicles. He made a claim on his motor insurance policy that he held with Covea.

Covea accepted the claim and on 11 May his car was considered a total loss.

As Mr A's car was subject to a finance agreement, Covea asked Mr A to obtain an outstanding balance figure from the finance company so it could settle the outstanding finance. Mr A sent it and the finance was settled by Covea.

Mr A complained that Covea had caused a delay in settling the finance and that he would like a refund of premiums paid whilst he didn't have a car. Covea did not accept it was responsible for a delay but said it had not done enough to assist Mr A in obtaining the outstanding balance figure. It also accepted it misadvised the date the settlement would be paid. It offered £150 in compensation for its shortcomings.

As Mr A was not happy with Covea, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said the £150 compensation was fair for the delay in settling the outstanding finance, but Covea should pay one month interest on the finance agreement. And they said as Mr A was without a hire car for a month longer than he should have been, Covea should pay him £10 per day for loss of use of his car for the duration of the delay.

As Covea is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

What I provisionally said

I looked at the timeline of Mr A's claim and found that the incident happened on 4 May 2022 and Covea paid the outstanding balance to Mr A's finance company on 2 August 2022. This is three months in total.

I saw it took Covea one week from the date of the incident to confirm the car was to be classed as a total loss. As Mr A had said he was concerned he may have been targeted and the accident staged, there was then a period of four weeks where Covea completed its investigations into the incident.

The claim was cleared of fraud concerns on 8 June 2022 and on this date a settlement offer was made to Mr A. It was not accepted straight away. Covea said it made its first request to Mr A for an outstanding finance figure on this date.

I saw Covea contacted Mr A by email on 17 June 2022 to ask him to obtain an outstanding balance from the finance company. Mr A provided this on 5 July 2022.

Covea accept there were delays in dealing with the claim due to not having the outstanding balance figure from the finance company. It said although it did not agree that it had caused any delays with the finance company, it accepted it could have been more proactive in chasing the outstanding balance after it had requested it from Mr A. However it said the onus was on Mr A to provide the information requested.

It said when the outstanding balance was received, it attempted to contact Mr A to discuss the settlement terms of his claim, but the call was not answered. It said it should have called again, but this was not followed up.

On 29 July 2022 Covea confirmed to Mr A that the outstanding finance balance was to be paid by close of business that day. But it was not cleared until 2 August 2022. It accepted it had misinformed Mr A and should have advised it usually takes three to five working days.

I think the offer of £150 compensation is fair in the circumstances of this complaint and I won't be asking Covea to increase the amount.

As I saw there was a slight delay in making payment to the finance company, and because it was not paid for almost four weeks after the outstanding balance was provided, I think it is fair that any interest that was accrued during this time on the finance agreement before payment was received should be paid by Covea.

I looked at the terms and conditions of the policy and on page 11 it says;

"Arrangement fee

If either you or We cancel within 14 days of receiving your policy documentation We will charge you a fee of £30 plus the cost for the amount of time you have been covered unless you have made a total loss claim in which case no refund will be given and all premiums will be due."

As Mr A's car had been classed as a total loss, this confirms that under the terms and conditions of Mr A's policy Covea do not need to make a refund of any premiums paid and all premiums were still due.

Our investigator felt that Covea should pay Mr A loss of use at £10 per day for the duration of the delay, which they thought was one month. I looked at Mr A's policy and saw in Section two it says

"2 Damage to car

What is not covered under section 2

- Costs resulting from loss of use of the car."*

A courtesy car was provided as per the conditions of Mr A's policy. I do not think Covea need to further provide a loss of use payment because it is not part of the terms of the policy and also I don't agree that it caused a delay of one month.

Therefore, I intend to uphold Mr A's complaint and intend to require Covea to pay, on receipt of evidence from the finance company, the final one month's interest amount. Covea should also pay the £150 it has offered as compensation if this has not already been paid.

Responses to my provisional decision

Mr A responded to say

- He disagreed with the provisional decision. He feels the decision made by the investigator was fair and the right sum.
- He supplied evidence of calls he made to Covea chasing the settlement at different times of the day on 28 July 2022. And copies of emails between himself and Covea in June 2022 when he was in the process of agreeing the claim settlement amount
- He said he paid his car finance payments in May and June despite not having a car. He said as Covea didn't settle his finance until 2 August 22 the July 2022 payment was also due from him, and he didn't think this was fair.

Covea responded to say it accepted the decision. It said it had emailed Mr A to request the evidence from either himself or the finance company regarding any amount of interest charged and said once received it would raise the payment.

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.

In response to Mr A's comments

The evidence provided by Mr A showed on 28 July 2022 he made a number of calls to Covea to chase the settlement of his finance and was kept on hold for long periods of time. I agree this was inconvenient and will have caused frustration to him.

Mr A would still be liable for any agreement he had made regarding finance on his car until the settlement was made by Covea. Any payments due still needed to be paid. I saw evidence from Mr A that his finance company explained to him monthly payments were still to be paid in July 2022, but he would be due a refund of any over payment after settlement was made.

The only delay that I can hold Covea solely responsible for was the four days between 29 July 2022 and 2 August 2022, which is the time when the settlement payment to the finance company was delayed due to it misadvising him.

As detailed in my provisional decision the time taken after Mr A made the claim in May 2022 included; investigations into potential fraud, negotiations around settlement amount, obtaining the finance settlement etc. These were activities that needed to happen.

I do not agree that Covea should pay Mr A anything for loss of use of his car because of a delay.

I maintain my view that £150 is a fair amount for the delay in settling the finance and the lack of communication in July 2022. It should also repay any additional interest accrued in the last month of Mr A's finance agreement. It should be noted that £150 is the same amount as our investigator felt was fair for the delays caused.

I therefore maintain my provisional decision and require Covea to pay, on receipt of evidence from the finance company, the final one month's interest amount. Covea should also pay the £150 it has offered as compensation if this has not already been paid.

My final decision

For the reasons I have given I uphold this complaint.

I require Covea Insurance Plc to pay Mr A any interest charged in the final month of his finance agreement. And to pay £150 compensation if it has not already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 27 April 2023.

Sally-Ann Harding
Ombudsman