

The complaint

Mr P complains that Advantage Insurance Company Limited declined his claim on his motor insurance policy following the theft of his car.

What happened

Mr P bought a car for cash. A month later, it was stolen, and he made a claim on his policy. The car was later recovered, and the police said it had been previously stolen and cloned. The police seized the car. Advantage then declined the claim as it said Mr P didn't have any insurable interest in the car. Mr P said he'd completed all the needed checks before buying the car. He thought some of his car's parts may have been put in the recovered car and that his car remained missing.

Our Investigator didn't recommend that the complaint should be upheld. He thought Mr P had made the necessary checks before buying the car and wasn't aware the car was stolen. But he thought Mr P never legally owned the car and so neither he nor Advantage had an insurable interest in it. The police confirmed that the recovered car was the one Mr P had bought. He thought the policy didn't cover Mr P for the police taking the car away. And so he thought Advantage had reasonably declined the claim.

Mr P replied that he thought the recovered car wasn't his. Mr P asked for an Ombudsman's review, so his complaint has come to me for a final 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.

I can understand Mr P's frustration that he'd bought a car in good faith. It was recovered but it was identified as previously stolen. And so Advantage has declined his claim.

When the car was taken for repairs following its recovery, the engineers found two different vehicle identification numbers (VINs) on the car. Advantage said the car had been cloned. Cloning is where someone puts the number plates and maybe even the VIN of another vehicle that is the same make and model on to a stolen vehicle. This disguises the stolen vehicle by turning it into a clone, making it appear just like the other vehicle.

Mr P questioned whether it was actually the car he'd bought that had been recovered. But I can see that Advantage confirmed this with the police. So I'm satisfied that the recovered car was the one Mr P had paid for.

I note that the relatively new car was sold to Mr P with only one key and for a very good price for cash in a private sale. But Mr P said he'd made online checks for the car's history and finance, and he's provided screenshots of these. The police confirmed that the visible VINs were in order. It was only when a dealer was conducting an electronic health check that the discrepancies came to light. And the police told Advantage that the car's genuine V5 registration document provided by the car's seller was fraudulently obtained from the DVLA.

Advantage agreed that Mr P had bought the car in good faith. Our approach where the customer paid for the vehicle in cash, as Mr P did, and the cloned vehicle was stolen, is to

consider the individual circumstances of the case to decide whether it would be fair and reasonable to make the insurer pay.

We think that the insurer would be correct in arguing the customer does not have an insurable interest in the vehicle and this means that technically there is no cover under their policy. But we may consider it fair and reasonable for them to pay on the basis they bought the vehicle in good faith and there has been an event covered by the policy, i.e. the vehicle has been stolen or written off. And the customer has suffered a loss because they can't claim all or part of what they paid for the cloned vehicle back from their bank.

But we would not expect the insurer to pay where the cloned vehicle was recovered from the customer, as there has not been an event covered by the policy that led to the customer losing the vehicle.

And in Mr P's case, the car had been stolen but it had been recovered. And then it was seized by the police as a stolen vehicle. This event isn't covered by his policy. And so I'm satisfied that Advantage has reasonably and fairly declined the claim because neither it nor Mr P had any insurable interest in the car.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 July 2023.

Phillip Berechree
Ombudsman