

The complaint

Mr K has complained about Haven Insurance Company Limited. He isn't happy that it referred him to its Straight to Salvage (S2S) service as opposed to allowing a claim under his motor insurance policy.

For ease of reading any reference to Haven includes its agents.

What happened

Mr K's car was damaged by a third party and so he called Haven to claim on his car insurance policy. Rather than claiming on his car insurance policy he was referred by Haven to its S2S service which was outside Mr K's policy as it was believed he wasn't at fault for the accident. This service allowed Mr K's vehicle (the salvage) to be sold and a credit hire service used with an eye on looking to recover any outlay for any hire car costs incurred and the total loss settlement directly from the third-party insurer as opposed to making a claim through Mr K's insurance policy.

However, Mr K's car was sold before liability was fully established and the third party subsequently disputed liability. And as Mr K's car had already been sold Haven couldn't return his car to him. As Mr K didn't think this was fair he complained to Haven and then this Service about this.

Our investigator looked into things for Mr K. He explained that this Service couldn't look into the credit hire aspect of this claim. However, he thought it was clear Mr K shouldn't have been referred to a credit hire company or the Straight to Salvage service as liability was clearly in dispute at the time of claim. Haven had offered to pay Mr K the cost if gained for the salvage of his car (£525) and £150 compensation, but our investigator thought the compensation should be lifted to £300. He also thought Haven should pay Mr K the full market value of his car. This was because he thought Mr K was unlikely to have made a claim under his insurance policy, if he was properly advised, as his excess was close to the market value of his car. And it wasn't possible to gauge the cost to repair his car, as Haven had allowed his car (the salvage) to be sold before liability was established.

Haven initially agreed to the investigators view. But when it considered matters further it changed its position slightly. It felt that Mr K would have had to pay his excess if he made a claim under his insurance policy, so it wanted to deduct the excess from the market value of his car and the settlement. So the matter has been passed to me for review.

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 agree this complaint should be upheld. And as both sides agree with this position, in the main, I don't propose to go over the finer detail of the complaint. I will just look at the proposed redress.

In this case Haven referred Mr K to its credit hire and S2S service but it is clear liability was still in dispute at that point in time and so this shouldn't have happened. Haven has accepted this, and I agree that Mr K should've been clearly advised about the options available to him and he shouldn't have been passed over to a credit hire company or S2S as liability was in dispute.

Haven should act in the best interests of its consumer and pointing Mr K towards credit hire in circumstances like this, when liability was in dispute, wasn't fair or in Mr K's best interests. And I think its failure to advise Mr K about all of this, as Haven has accepted, was poor and Mr K should be compensated for this. Plus, it didn't explain that Mr K could have simply made a claim under his insurance policy which has impacted things greatly here – as Mr K could have simply made a claim under his policy and looked to claim his excess back directly from the third-party if liability was settled in his favour.

Haven initially accepted it would be reasonable, given the above, that it should pay Mr K the market value of his car and £300 in compensation. But it went on to say that it wanted to deduct Mr K's excess from this. This was because it thought Mr K would have had to pay this if he made a claim under his policy.

I accept Mr K would have to pay his excess if he made a claim, but he was starved of this opportunity. And I agree with our investigator that Mr K may have chosen to simply repair his car himself had he been properly advised. It is difficult to be sure what Mr K would or wouldn't have done but as he hasn't actually advanced a claim under his policy I don't think it would be fair to deduct this now. And I agree that had Mr K been made aware that he would have had to pay a high excess then it was likely he would have made the decision to repair the car himself, especially given its relatively low value and the fact the car was driveable at the time of claim.

Given all of this, I think the fair and reasonable thing to do, in the particular circumstances of this case is to try and put Mr K back into the position he would have been but for Haven's error.

So, Haven should pay Mr K the market value of his car, less the salvage amount it has already paid, and 8% simple interest for the time he's been without the money. And it should pay him £300 compensation for the stress and inconvenience all this has caused him as his car was sold for salvage when it shouldn't have been, as Haven has already agreed.

My final decision

It follows, for the reasons given above, that I uphold this complaint. I require Haven Insurance Company Limited to pay Mr K the market value of his car, less the £525 he has already been paid for the salvage, and 8% simple interest for the shortfall from the date of claim until the date of settlement. Plus, £300 (total) compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 December 2023.

Colin Keegan
Ombudsman