

The complaint

Miss T has complained that Mapfre Asistencia, Compania Internacional De Seguros y Reaseguros, S.A. (Mapfre) has refused to pay her Financial Shortfall Insurance claim.

What happened

Miss T was involved in an accident in her car. She claimed on her car insurance policy and her insurer decided that her car was what is known as a total loss. Miss T's car insurer valued her car at £14,427.19 but, as her car was bought under a hire purchase agreement, Miss T said her insurer only paid the finance company the outstanding finance amount of £12,543.54 to settle her claim.

Miss T claimed on the Financial Shortfall Insurance policy she held with Mapfre, for the difference between the amount that her insurer had paid and what she considered to be the market value of her car.

Mapfre said that there was no financial shortfall for it to cover as the outstanding finance on Miss T's car was lower than its market value. However, it believed her insurer had undervalued her car as it thought the market value should have been around £17,776.

Miss T disagreed with Mapfre's interpretation of the policy terms and conditions and, as Mapfre didn't uphold her complaint, brought her complaint here. She explained the impact of not being in a position to replace her car due to the settlement she'd received.

Our Investigator didn't think Mapfre needed to pay Miss T's claim, as he thought it had acted in line with the terms and conditions of the policy.

Miss T disagreed 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.

The terms and conditions of Miss T's policy provide different cover depending on whether the loss occurred within the first 36 months or between 37 and 60 months.

Miss T's policy started on 25 March 2019 and the accident was on 3 October 2022. This means that Miss T's policy had been in place between 37 and 60 months at the time of the accident.

The relevant part of the policy says:

"If You have purchased or leased the Insured Vehicle under a Finance Agreement and this is still outstanding after 36 months this policy will provide additional coverage for up to a further 24 months. If the Insured Vehicle is declared a Total Loss between 37 and 60 months from the Start Date, this policy will cover the difference between the Market Value and the Finance Early Settlement Balance payable to the Finance Company at the date of Total

Loss.”

Miss T had outstanding finance on her car. So, this sets out that the policy will cover the difference between the market value of Miss T’s car and the finance early settlement balance payable to the finance company. In this case, Miss T said there is a ‘gap’ between the market value of the car and the amount that was paid to the finance company to settle the claim.

The policy’s definition of market value is:

“The value of the Insured Vehicle at the date of Total Loss by reference to Glass’s Guide retail transacted value...”

The finance early settlement balance is defined as “The net balance payable by You to the Finance Company at the date of the total loss...”

Mapfre said that two valuation guides it uses gave valuations of £16,990 and £18,562. So it thought an average of £17,776 would be a fairer market value than £14,427.19 her insurer had calculated. If Miss T is unhappy with the amount her insurer paid to settle her claim, she would need to raise that separately. However, I don’t think the valuations make a difference to the outcome of Miss T’s complaint about Mapfre because, irrespective of which is correct, both are higher than the £12,543.54 which was paid to settle the finance agreement.

Miss T said the policy doesn’t specify whose favour the shortfall should be in. But, in my view, the reasonable interpretation of the term is that Mapfre will pay for any shortfall when the market value is deducted from the early settlement balance. When considering the wording of the term, along with the intention of this type of policy and that it’s usual for car insurance policies to cover the market value of the vehicle, I do not think it would be fair and reasonable to require Mapfre to pay for the loss Miss T has experienced. Therefore, I think it’s fair and reasonable for Mapfre to say that there is nothing further for it to pay under the terms and conditions of the policy.

I appreciate Miss T will be disappointed with the outcome of my decision but I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss T to accept or reject my decision before 20 February 2024.

Sarann Taylor
Ombudsman