

The complaint

Miss W complains about Advantage Insurance Company Limited's handling of her car insurance claim.

What happened

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

Miss W has car insurance underwritten by Advantage. She made a claim in October 2022 after she was involved in a road traffic accident.

In short, there were delays in Advantage allocating the car to a garage for assessment. Miss W needs a car for her business and so bought a new one on 29 October 2022 (for £2,100), with the intention of selling it again once her own car was repaired.

She also made a complaint to Advantage about the delays and poor service. She'd tried to contact them several times about progress with the claim and hadn't really been given any useful information.

Advantage hadn't provided a courtesy car whilst they were trying to find a garage to assess the car. So, they offered Miss W £100 to compensate her for the ten days she'd been without a car. They also offered a refund of around £47 on the additional premium Miss W had to pay to cover her new car.

Miss W wasn't happy with this response and brought her complaint to us, in early December 2022.

We're aware that whilst our investigation has been underway, Advantage suggested – in February 2023 – that Miss W find her own garage to assess and repair the car. And then, in July 2023, they advised Miss W they were writing the car off.

Miss W is happy with the settlement offer for her car. But was unhappy about the delay between October 2022 and July 2023 for what should in theory have been a relatively simple car insurance claim.

Our investigator offered his view on the complaint in June 2023 – before Advantage had decided that the car was to be written off. He said Advantage had been right to offer the £100 for loss of use of the car for around 10 days and the £47 or so refund on the premium for the new car.

But he said Advantage should pay Miss W £500 in compensation for her trouble and upset.

He thought they should also reduce the excess they proposed to charge on the claim from £500 to £250. The £250 difference is what Advantage add if the customer uses their own garage. And in this case, Advantage had asked Miss W to find a garage to assess (and possibly repair) the car – it wasn't her choice.

He also said Advantage should pay Miss W interest on the money she'd spent on her new car (£2,100) at 8% per annum simple, because Miss W had effectively been deprived of that money from the point she bought the new car – by which time, Advantage ought reasonably to have settled Miss W's claim.

And he said that if Miss W had to sell her new car (at a reasonable market price) for less than she'd paid for it, Advantage should pay her the difference.

Miss W didn't think the proposed outcome properly compensated her for the very long and unnecessary delay in Advantage settling her claim – which at the time was on-going. So, she asked for a final decision from an ombudsman.

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.

According to the rules which govern the way our service operates, without Advantage's explicit agreement, I could only have considered in my decision complaint points that Advantage had already had a chance to resolve themselves. In other words, those Miss W made in the complaint they answered in November 2022.

That would have meant any compensation award would only cover the period between the claim being made in October 2022 and Advantage's final response letter in November 2022. Miss W would have had to make a new complaint about the delays and poor service since that time.

Fortunately, however, Advantage have agreed to our request that we should be able consider events in the whole period up to the settlement offer being made to Miss W in July 2023, as part of this one complaint.

I am very grateful to Advantage for their consent to our doing so. It simplifies things considerably and also means Miss W gets a final resolution of her complaints much sooner than would otherwise have been the case.

In terms of the substance of the complaint, I don't think there's any real dispute here about the fact that there were extraordinarily long and unnecessary delays and, at times, poor service provided to Miss W.

Miss W made the claim in October 2022. She was finally told Advantage would write off the car and pay to settle the claim in July 2023. There is no valid or reasonable excuse for that degree of delay.

The remaining issues revolve around how Advantage should put things right for Miss W given the failings they've admitted in the way they handled this claim. I'll deal with these issues in the section below.

Putting things right

Miss W was without a car for ten days before she took possession of her new one. Advantage offered £100 to cover loss of use of a car for that period. That's fair and reasonable.

Advantage also acted fairly and reasonably when they offered to refund the £47 or so extra that Miss W would have had to pay to insure her new car.

I believe the payment of around £147 to cover both of these aspects of the complaint has already been paid to Miss W, but if it hasn't, it should be paid to her now.

When Advantage put their settlement offer to Miss W after writing the car off, they told her she'd have to pay a £500 excess. That was contrary to what they'd previously agreed with us – that the excess would be £250 only, given that Miss W didn't choose to use her own garage.

I believe Advantage made a simple error in the email they sent to Miss W. In any case, they've now agreed the excess should be £250 only. For the sake of absolute clarity, it's my view that charging the full £500 excess would be entirely unjustifiable in this case and I'm going to say in this decision that Advantage *must* charge an excess of only £250.

Miss W bought a new car, at a cost of £2,100, on 29 October 2022. By around that time, Advantage should have either agreed to repair Miss W's car or written it off and made her a settlement offer.

Because they didn't in fact do that until July 2023, Miss W has in effect been deprived of that money from the day she spent it to the day Advantage pay her the settlement. Miss W had no real option but to buy a new car given her business and location.

So, it's fair and reasonable now to ask Advantage to pay Miss W interest on the £2,100 at 8% simple per annum.

It's taken Advantage around nine months to tell Miss W that they were writing off her car – and to offer a settlement figure. Miss W was clearly very stressed and very inconvenienced by that, particularly early on in the life of the claim when she was trying to run her business without a car.

Throughout that nine months, Miss W has also had the worry about what would happen to her car, whether it was in fact in safe hands (and where) and how she might cope with the potential situation if her car was returned to her after repairs and she now had two cars, one of which would need to be sold.

I can also see from the evidence we have on file, that Miss W has had to chase Advantage regularly to find out what was happening with her car. Often with no proper response and certainly with no explanation about what was happening and why things were taking so long.

Bearing all of that in mind - and given the stress and inconvenience that Miss W experienced over a sustained period of time – I'm satisfied that £1,000 would be fair and reasonable compensation for her trouble and upset.

I should be absolutely clear that my intention is that the £1,000 compensation covers the whole of this series of events and the errors made by Advantage - between the date of the claim in October 2022 and July 2023, when Advantage told Miss W they were writing off the car and put their settlement offer to her.

My final decision

For the reasons set out above, I uphold Miss W's complaint.

Advantage Insurance Company Limited must:

- pay Miss W £100 to cover loss of use of a car for the ten-day period in October 2022, if they haven't already done so;

- refund Miss W the £47 or so extra that it would have cost her to insure her new car, if they haven't already done so;
- charge an excess on Miss W's claim at £250 rather than £500;
- pay Miss W interest at 8% per annum simple on the cost of her new car (£2,100) from the date she bought the new car – 29 October 2022 - to the date they pay out to settle her claim;
- pay Miss W £1,000 in compensation for her trouble and upset.

If Advantage Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss W how much it's taken off. It should also give Miss W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 9 October 2023.

Neil Marshall
Ombudsman