

The complaint

Mrs H is unhappy with the way in which Covea Insurance plc handled a claim made on her car insurance policy ('the policy'), including the amount it's settled her claim for.

What happened

I issued my provisional decision in August 2023 explaining why I was intending to partially uphold Mrs H's complaint.

I intended to find that Covea had fairly provided Mrs H with a fair market value for her car after she'd made a claim on the policy for damage caused to it. However, I did think Covea could've better handled aspects of her claim and I explained why I intended to direct it to pay Mrs H £350 compensation for distress and inconvenience.

An extract of my provisional decision is set out below.

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The details of this complaint are well known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

Covea has a regulatory obligation to treat customers fairly. It also has an obligation to handle insurance claims promptly and fairly.

The relevant terms and conditions of the policy

The policy terms provide cover "for loss or damage to the car, and its accessories, caused by accidental... damage".

The terms also reflect that Covea:

- can pay or replace what's damaged if this is more cost effective than repairing it.
- won't pay more than the market value of the car at the time of loss.

Market value means: "the cost of replacing the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened".

The car means: "the vehicle specified in the Certificate of Motor Insurance by registration number".

Accessories are defined as: "additional or supplementary parts of the car not directly related to its function as a vehicle, whilst in or on the car or held in a locked private garage. Accessories do not include trailers, personal belongings, mobile telephones, audio, navigation or entertainment equipment".

Did Covea fairly treat the car as a total loss and provide a fair valuation?

In the absence of any further evidence to the contrary, I think Covea has fairly relied on the engineer's report dated February 2022 when concluding that the car was a total loss.

The engineer's report contains photos of the damage and reflects that: "the estimated cost of reinstating the car back to its pre-accident condition as such that it is considered to be uneconomical to repair".

After providing a lower valuation and an initial delay – which I'll go on to consider below – I think Covea has fairly calculated the market value of the car at just over £8,800. I'll refer to this as 'the valuation amount'.

I'm satisfied the valuation amount is in line with the available industry-recognised valuation guides and has been valued including an electric battery.

I can understand why Mrs H says her actual loss is more than this because she had leased her battery. And there was an outstanding balance of over £3,000 on the battery lease at the time the car was damaged. She says it would cost around £4,000 for her to lease another electric battery and she wouldn't have been able to buy a similar car for the valuation amount to include the cost of leasing the battery.

But as set out above, the policy says Covea won't pay more than the market value of the car at the time of the loss, and I don't think it's acted unfairly by relying on that term here, as it included the cost of replacing the car with one of a similar make and model with a battery.

I've also considered whether the battery is covered separately as an 'accessory' as defined by the policy. But because it directly relates to the function of the car, I don't think it is.

Settling the lease agreement

The leasing company informed Covea after the car was damaged that Covea could dispose of the battery. However, it did require the balance of the leasing agreement to be settled in one lump sum.

Covea paid that lump sum directly to the leasing company, deducting it from the valuation amount – which along with the policy excess (that it was entitled to deduct) – reduced the settlement amount Covea offered to Mrs H to around £5,856 ('the settlement amount').

Covea informed our Service when responding to Mrs H's complaint that the correct process had been followed, as any finance owed is deducted from the valuation amount.

The policy terms say that if the car is the subject of a hire purchase agreement or leasing agreement, Covea may, in the event of the car's total loss or destruction, pay the hire purchase or leasing company directly for the loss or damage to the car. But here, the car wasn't subject to a leasing or hire agreement; only the electric battery was.

However, I'm satisfied that I don't need to make a finding about whether Covea reasonably settled the balance for the electric battery under the lease agreement – or whether the valuation amount ought to have been paid to Mrs H for her to settle the balance of the lease agreement (or indeed to retain the electric battery if she was able to under the terms of the lease, for use in a similar car).

That's because, either way, Mrs H would've been responsible for paying off the balance remaining on the lease arrangement for the battery – whether that was paid directly by Covea from the valuation amount or by Mrs H directly.

Further, in an email to our investigator dated 25 October 2022, Mrs H said that she'd asked Covea to settle the lease. So, it seems this was settled upon Mrs H's instruction, and with her agreement.

Other issues

Mrs H is also unhappy because Covea didn't settle the battery lease until October 2022. As such she kept paying monthly for the battery under the lease to avoid the risk defaulting on payment, and negatively impacting her credit history. Mrs H says she paid almost £400 under the lease since the car was written off by Covea, which she'd like reimbursement for.

However, whilst there was a delay in Covea settling the amount remaining on the lease, Mrs H's monthly payments were reducing the outstanding balance to be paid. And although I accept this caused her some unnecessary worry and inconvenience, I don't think she's lost out financially. That's because if the outstanding amount on the lease had been settled earlier, the balance of the lease would've been higher. And it's that higher amount which would have been deducted from the valuation amount – thereby reducing any settlement amount she would've been entitled to.

In its final response letter dated October 2022, Covea accepts that it didn't log Mrs H's complaint when it should have. And that it didn't make an interim payment of the valuation amount to her. It apologised and offered to pay her compensation in the sum of £100.

In addition, Covea offered to pay Mrs H around £319 to represent simple interest at a rate of 8% per annum on:

- the settlement amount from 22 April 2022 (the date of her complaint) to 25 October 2022 (around £230); and
- the amount left on lease for the electric battery from 22 April 2022 to the date on which the battery lease was settled by Covea, 3 October 2022 (around £89).

I'll refer to these as 'the interest amounts'.

I'm satisfied that the interest amounts fairly compensate Mrs H for the time she was without the settlement sum.

Covea asked Mrs H for her bank details to arrange an interim payment. Mrs H didn't provide her bank details until March 2023, and then Covea promptly made payment as I'd reasonably expect it to have done. But I've got no compelling reason to conclude that had Covea been provided with Mrs H's bank details in October 2022, as requested, it wouldn't have promptly made payment then too. So, I don't think it would be fair for them to extend the period over which Covea ought to pay interest to Mrs H to March 2023, when the settlement amount was paid.

However, I'm not persuaded that £100 reasonably reflects the distress and inconvenience experienced by Mrs H because of the way in which Covea handled her claim, and the delays it caused.

The claim was made at the start of 2022. It looks like Covea initially relied on the engineer's report to calculate the market value, in the region of £6,000. I can understand why Mrs H disagreed with that valuation. That figure was around £2,000 less than what she'd paid for the car only a few months before. Mrs H provided evidence to refute the valuation and it took several months for Covea to provide a market value in line with the available industry-recognised valuation guides, which was almost £3,000 more than the initial market valuation

Covea offered for the car.

It's not clear why Covea didn't consider the available industry-recognised valuation guides at the outset as it did later in 2022. I'm satisfied failing to do so caused unnecessary worry and inconvenience for Mrs H at an already difficult time. I'm satisfied that compensation in the sum of £350 more fairly reflects the distress and inconvenience she experienced.

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I invited both parties to provide any information in response to my provisional decision for me to consider. I received no reply.

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.

As neither party has provided anything further for me to consider in response to my provisional decision, I see no reason to depart from my provisional findings.

So, for this reason, and for reasons set out in my provisional decision (an extract of which is set out above and forms part of this final decision), I partially uphold Mrs H's complaint.

Putting things right

I understand that Covea has paid the settlement amount to Mrs H together with the interest amounts and £100 compensation.

So, I direct it to pay additional compensation in the sum of £250 for distress and inconvenience.

My final decision

I partially uphold this complaint and direct Covea Insurance plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 23 October 2023.

David Curtis-Johnson
Ombudsman