

The complaint

Mr P complains that Advantage Insurance Company Limited (Advantage) unfairly declined to cover the loss of his car due to theft, and delayed refunding his premium, under his motor insurance policy.

What happened

Mr P bought a car, which he insured with Advantage. The next day it was stolen. Mr P made a claim to Advantage that it declined. It told him that as the car was cloned there was no cover under his policy. Mr P says he made precautionary checks before buying the car and he couldn't have known it was cloned. He says Advantage didn't refund his premium at the time it declined his claim.

In its final complaint response Advantage says Mr P was unhappy that he hadn't received a refund for his policy. It says he was advised by its claims department that a refund could only be provided once the claim was closed. Once this happened it was able to calculate the refund owed, which it paid to Mr P.

Mr P wasn't satisfied with this response and referred his complaint to our service. In its submissions Advantage says Mr P hadn't complained about its decision to decline his claim, only about the refund of his premium. However, it says Mr P had no insurable interest in the car that was stolen, as this wasn't the car he'd insured. This is because it had been cloned. It says the market value for the car was around £16,000, yet Mr P paid only £8,000. Advantage says this should've raised suspicions.

Under the Financial Conduct Authority (FCA) dispute resolution or DISP rules, a complaint must first be referred to the regulated business before we're able to consider it. In this case Mr P's complaint about the declined claim was referred to Advantage in June 2023 by our service. It then responded to his complaint a month later. This means it had the opportunity to respond to this aspect of Mr P's complaint. So, we can consider the declined claim issue.

Our investigator considered Mr P's complaint but didn't uphold it. He says as the transaction took place in cash and on a street away from the seller's home, or other property, this should've raised concerns. He says although Mr P did carry out some checks he says this wouldn't have revealed the car was a clone. Our investigator says Mr P could've tried to verify the seller's identity, but he didn't take steps to do so. He says the market value of the car was around double the price he paid for it. Even if accident damage was deducted from the price Mr P paid, our investigator didn't think this was a true reflection of the car's value.

Mr P didn't think this outcome was fair and asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

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'm not upholding this complaint. I'm naturally sympathetic to Mr P for the financial loss he's suffered. But I don't think Advantage treated him unfairly. Let me explain.

There's no dispute from either party that the car Mr P bought was cloned. This is where a criminal changes the number plates, and possibly the vehicle identification number (VIN) to make the car look legitimate, when it is in fact stolen.

Advantage declined Mr P's claim because it says he had no insurable interest in the car he'd insured with it. This is correct as the car Mr P bought didn't belong to him as it was stolen. This also means it wasn't the car he'd insured with Advantage. I acknowledge Mr P took steps to check the car's VIN and arranged for a hire purchase investigation (HPI) check. But the car had been cloned, so these checks wouldn't have revealed it was stolen.

I've thought about the circumstances in which Mr P bought his car, and whether he took reasonable steps to make sure the seller was genuine.

The claim records show Mr P told Advantage he'd bought the car for £8,000 in cash. Making a large payment in cash is far less common than using an electronic alternative. I think this should reasonably have resulted in Mr P questioning whether the seller was legitimate.

Based on the HPI check the car was valued at just under £16,000. This is around twice what Mr P paid. He told our investigator the car was accident damaged, which is why the price was so low. I haven't seen evidence to support this. But a 50% reduction in price is significant. I think this would raise suspicions for a reasonable person that the seller wasn't genuine. Similarly, Mr P hasn't shown that he took steps to identify who the seller was. In these circumstances I think it would've made sense to do so. Based on this evidence I don't think Mr P acted reasonably to ensure the seller was genuine and protect himself from fraud.

I acknowledge the explanation Advantage provided to Mr P about his premium refund. Specifically, that this couldn't be calculated and paid until his claim was closed. It then paid the refund he was due. I don't think Mr P's shown that Advantage acted unfairly towards him here. The business followed its process requiring the claim to be closed before a premium refund calculation was performed. I don't think it unreasonable that it followed its process.

Having considered all of this, although I'm sorry to disappoint Mr P, I don't think Advantage treated him unfairly when declining to cover his claim for the reasons it gave, or when refunding his premium payment. So, I can't reasonably ask it to do anymore.

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 Mr P to accept or reject my decision before 25 February 2024.

Mike Waldron
Ombudsman