

The complaint

Mr N has complained about KGM Underwriting Services Limited trading as KGM Motor (KGM)'s decision to reject a theft claim he made under his car insurance policy.

What happened

Mr N bought a car insurance policy with KGM in September 2020 which he subsequently renewed. He recorded the address where the car was being stored with KGM. This was separate to his home address. Mr N said he arranged for a recovery agent to deliver the car there with the agreement of the person living at the address in May 2020. Mr N said he was gifted the car by the widow of a late friend, but he paid a nominal sum for it in cash and provided KGM with a handwritten receipt.

In July 2022 Mr N reported the theft of the car to KGM.

After carrying out an investigation into the claim, KGM rejected it. In summary it said there were inconsistencies in Mr N's account, the V5C registration document was found to have been fraudulently obtained, and Mr N hadn't had sight of the car since May 2020. The recovery agent and the person Mr N said had agreed the transfer of the car and storage of didn't agree with his version of events as to his ownership, or storage of the car.

Mr N asked us to look at his complaint. Our Investigator didn't recommend it should be upheld as he thought KGM had acted reasonably and in line with the policy.

Mr N didn't agree and wants an ombudsman 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.

Mr N hasn't been able to show an insurable interest in the car he is making a claim for with KGM.

There isn't any evidence to show that the car was registered to him or that he was the legal owner. From Mr N's account, he didn't physically see the car and was provided with photos of its delivery to the storage address in May 2020. He says he didn't visit the address until he was contacted by a person I'll refer to as 'B' in July 2022. Mr N says this was when he was made aware that the car wasn't at the storage address.

There is no way of knowing if the car was stolen before KGM provided cover for the car in September 2020. Mr N says he had no contact with the owner of the storage address during this time and didn't go to check on the car. A police report obtained by KGM showed the date the theft of the car was reported was in June 2020 – before KGM were the insurer for the car.

KGM has relied on the following terms under the policy to reject Mr N's claim:

“Fraudulent claims

We will not pay for any loss, damage or liability if you or any other person covered by this policy or anyone acting for you makes a claim that is fraudulent or exaggerated in any way, makes a false statement or provides false or stolen documents to support a claim In such circumstances we will cancel this insurance contract without refunding any premium and will seek to recover any costs that we have incurred.”

And;

“Loss of or Damage to Your Vehicle

What is not covered under this section

If reasonable precautions have not been taken to protect it.”

The DVLA has confirmed that the V5C registration document was obtained fraudulently and has been cancelled.

It isn't for us to decide whether a policyholder has acted fraudulently or not. Instead, I need to decide if KGM acted reasonably on raising the fraud condition and taking the action it has.

From the information available to KGM, I think its decision to rely on the above terms of the policy to reject Mr N's claim was fair and reasonable. So I'm not asking it to deal with Mr N's claim.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 22 February 2024.

Geraldine Newbold
Ombudsman