

The complaint

Mrs S complains about how First Central Underwriting Limited handled a claim made on her motor insurance policy. She wants her car repaired and compensation for her loss of earnings caused by the delays.

What happened

Mrs S's car was damaged when she mounted a kerb to avoid a flood. She paid for her car to be recovered and made a claim to First Central. It asked Mrs S to get a report on the repairs needed and it then had an independent engineer assess the car. A courtesy car was provided after a week. First Central couldn't find an approved repairer to undertake the repairs, so it offered to treat Mrs S's car as a total loss.

But Mrs S wanted her car repaired and she found a local repairer to do this. First Central tried to arrange this, without success. The courtesy car was withdrawn after 28 days, and Mrs S was left with an unrepaired car.

After Mrs S complained, First Central offered Mrs S £150 compensation for its level of service and communication. It said it wasn't obliged to provide a courtesy car as Mrs S wasn't using its approved repairer. But it offered Mrs S a cash in lieu of repairs payment, less her policy excess, so she could have her car repaired.

After the complaint came to us, First Central increased its offer of compensation to £300. It offered Mrs S £390 compensation for her loss of use and £787.55, less the £400 policy excess, as a cash in lieu settlement. It said Mrs S could reclaim her excess through her excess protection. But Mrs S remained unhappy. Mrs S had some repairs carried out, but she said further repairs were needed.

Our Investigator recommended that the complaint should be upheld in part. She thought First Central's offer was reasonable but that it should also reimburse Mrs S for her recovery costs, with interest, from a month after the incident. She thought First Central had made reasonable attempts to settle the claim through offering total loss and cash options. She thought First Central's loss of use payment reimbursed Mrs S for the period she was without a car due to its delays.

She thought Mrs S's loss of income wasn't due to First Central's actions as she could have accepted its offers and repaired or replaced her car. But she thought First Central's offer of £300 compensation reflected the trouble and upset caused by its claim handling and delays. She thought First Central should reimburse Mrs S for her repair costs, up to £387.55, with interest. And she thought it should consider any other accident-related additional repairs.

First Central agreed to do this. But Mrs S replied that First Central's delays had left her without a car and the ability to work for months. She said it had wrongly said initially that her car was a write off and the damage was due to a mechanical fault, without inspecting the car. She said it would take her years to recover from the financial effects. As Mrs S didn't agree, her complaint has come to me for a final 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.

I can understand that Mrs S feels frustrated and stressed with how her claim has been handled. She said this has had financial consequences for her. And I was sorry to hear this. First Central has a responsibility to deal with claims promptly and fairly. So I've looked at Mrs S's claim journey to see how it progressed and dealt with her claim.

Mrs S said that when she first reported the claim First Central said her car was a write off because of flood damage. This was incorrect as Mrs S had avoided the flood but damaged a coolant pipe which needed repair. Mrs S had to pay for her own recovery, which I think should have been covered by her policy. So I think First Central should reimburse her for this costs, with interest, when Mrs S provides evidence for this.

First Central then investigated the claim and arranged for an independent assessor to inspect her car. Mrs S was entitled to a courtesy car for 28 days. This was in keeping with her policy's terms and conditions. First Central arranged this but this was delayed by a few days after Mrs S made her claim. I haven't seen an explanation for this. First Central wasn't able to arrange repairs in the 28 days and so Mrs S was left with no transport when the courtesy car was withdrawn.

First Central couldn't find a repairer with capacity to undertake the repairs. We think that in that case an insurer should explore other options. And I can see that First Central did this. It offered to write off Mrs S's car and it offered to pay for her to use a local garage to undertake the repairs. So I think it reasonably explored other options.

First Central agrees that it could have arranged the independent inspection more quickly, which could have hastened the repairs. Mrs S's garage wanted payment up front, which First Central wouldn't agree to. But I think it could have paid Mrs S the cash in lieu payment directly to avoid a dispute with her local garage.

So I think there was an avoidable delay in the claim which left Mrs S without transport. First Central has now offered Mrs S £390 compensation for her loss of use during this period from when the courtesy car was removed until it offered her cash in lieu of repairs.

Mrs S said that she was unable to work without a car. From what I can see, Mrs S had to hire a car for some periods, and she was abroad for a period. I think Mrs S could have mitigated her losses by accepting a total loss settlement and replacing her car or agreeing for the garage to make the repairs. So I don't think First Central was responsible for Mrs S's loss of earnings. And I think First Central's offer for her loss of use was fair and reasonable in the circumstances.

First Central agreed that Mrs S's claim journey had been poor. Communication was poor. Mrs S had to call for updates. There was confusion and delay in deciding how to deal with her claim. And First Central couldn't locate a suitable repairer. First Central increased its offer of compensation for this trouble and upset from £150 to £300. I think that's in keeping with our published guidance for the level of impact its errors caused. So I think that's fair and reasonable.

Mrs S said her garage's repairs estimate didn't include the full costs of repairs. I haven't seen this estimate, but First Central's engineer approved it. So I don't have evidence to show that it wasn't complete. Mrs S has now had some repairs done. And so I think First Central should reimburse her up to £787.55, less the £400 policy excess, when she provides an invoice from her garage. And I think it should add interest as Mrs S has been without her money for some time.

Mrs S also said that the garage found further damage that needed repair. I think Mrs S should provide evidence for this to First Central so that it can consider whether this is accident or claim related and make any payment if needed.

Putting things right

I require First Central Underwriting Limited to do the following, as it has already agreed to do:

1. Increase its payment of compensation for Mrs S's distress and inconvenience to £300 in total.
2. On receipt of a valid invoice, reimburse Mrs S for any repair costs she's already paid related to the accident, up to £787.55. The policy excess should be deducted from the settlement. Interest should be added to this amount at the rate of 8% simple per annum from the date of the payment to the date of settlement.
3. On receipt of a valid invoice, reimburse Mrs S for her recovery costs. Interest should be added to this amount at the rate of 8% simple per annum from a month after the date of the payment to the date of settlement.
4. Consider the additional repairs in line with the policy and circumstances of the accident and make payments if necessary.
5. Pay Mrs S £390 compensation for her loss of use.

†If First Central considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs S how much it's taken off. It should also give Mrs S a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require First Central Underwriting Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 25 June 2024.

Phillip Berechree
Ombudsman