

## The complaint

Mr C is unhappy that his policy with CarFinance247 Limited (“CarFinance247”) didn’t cover the full value of his vehicle when he made a claim.

## What happened

Mr C purchased a new car in April 2023. He took out guaranteed asset protection (GAP) insurance to cover any losses should the car be declared a total loss.

Unfortunately eight weeks later Mr C was involved in a car accident and his car was written off. Mr C says the GAP insurance policy was for £10,000 but it didn’t cover the cost of the vehicle. So there was a shortfall between his motor insurance settlement and the finance agreement.

Mr C says his understanding was that the GAP insurance policy would cover any shortfall between the car’s value and the settlement of the finance agreement. And this is the reason he took the policy out.

Mr C says CarFinance247 told him £10,000 was more than adequate to cover the total loss of the vehicle. But he later realised that GAP insurance only covered the amount on the policy and not what was on the invoice, and it didn’t cover any interest for the car loan.

The car insurer’s valuation of the car left a shortfall leaving Mr C around £2,000 to pay the finance company. So, he says, the GAP insurance wasn’t fit for purpose; the people who sold it to him didn’t understand what they were selling. He was also still paying for his car insurance until April 2024. So Mr C complained.

CarFinance247 said it provided Mr C with the correct information regarding the policy and how it worked. And after he purchased the policy the documents were sent to him for checking.

CarFinance247 said it wasn’t the provider of the policy so it wasn’t able to comment on whether the conditions of the policy had been adhered to. So the complaint wasn’t upheld.

Mr C wasn’t satisfied with the response from CarFinance247 so he referred this matter to our service. One of our investigators looked into things for him. She requested further evidence from CarFinance247 since, from what she had seen, she wasn’t persuaded it had shown it made no mistakes during the sales process. She upheld the complaint. She said CarFinance247 told him £10,000 was adequate for his needs and so he purchased the policy.

The investigator recommended CarFinance247 paid the outstanding amount on Mr C’s finance agreement plus 8% simple interest from the date of the original settlement. She said CarFinance247 should also pay him £250 to reflect the distress and inconvenience caused.

Mr C agreed with the investigator’s findings. CarFinance247 didn’t respond. As an agreement wasn’t reached the complaint has been referred 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 intend to uphold the complaint.

This service has asked CarFinance247 to provide information about the GAP insurance on at least four separate occasions over the period from September 2023 to June 2024. It has failed to provide this or any explanation about what happened, other than to confirm the policy wasn't mis-sold.

In the absence of anything from CarFinance247 I have reached my decision on the basis of the evidence I have available to me.

Mr C says during the sales process he was offered GAP insurance that covered £10,000 which he was told was adequate for his needs. CarFinance247 say there were no errors during the sales process. But despite asking for evidence to show this, I haven't been provided with anything.

Mr C says he purchased the policy to ensure any shortfall in the vehicle valuation would be covered in the event his car was deemed a total loss. He also says he was assured by CarFinance247 that the policy would cover his needs. I've thought about this carefully, I have no reason to doubt Mr C's testimony – and CarFinance247 haven't provided anything to corroborate its version of events.

I think if CarFinance247 had pointed out that Mr C wouldn't have been covered for the total cost of the vehicle he would more likely than not have bought a different policy that covered the full term of the finance agreement. And that policy would have paid the difference between his motor insurer's settlement and either the invoice price of his car or the finance agreement settlement, after it was written off. So Mr C has lost out on that settlement because of this.

Taking into account the reasons I've set out above I think CarFinance247 likely mis-sold the policy as it wasn't suitable for Mr C's needs. I'm persuaded that if it had pointed out that Mr C wouldn't be covered for the shortfall in value he would have brought a different policy that did.

In order to put things right I think CarFinance247 should step in the shoes of Mr C's GAP insurer. It should pay the claim for the difference between his motor insurer's payment for the car and the amount required to settle the outstanding balance on the finance agreement.

CarFinance247 should add simple interest to that settlement at a rate of 8% per year from the date of Mr C's claim to the date it makes payment.

Mr C says he is unable to pay the remaining insurance premium. But this isn't something that would be covered under the terms of his GAP insurance policy and he would always be liable to pay this – so I can't fairly ask CarFinance247 to reimburse him for that.

I can see Mr C has suffered some stress as a result of this matter. I've thought about the impact this is likely to have had on Mr C given the circumstances he describes. When he realised his insurance policy wouldn't be covering the cost of his car I think it would have caused Mr C's distress.

I can see how being worried about paying the shortfall and trying to sort the matter out has been inconvenient and stressful for Mr C. Our investigator recommended a payment of £250 to reflect the distress and inconvenience. Having considered everything I think this is reasonable and in line with the service's approach to payments for distress and inconvenience.

### **Putting things right**

On review of the evidence I have I take the view that CarFinance247 mis-sold Mr C a GAP policy. So in order to put things right I require CarFinance247 to return Mr C to the position he would have been in had he bought a policy that did cover him. CarFinance247 should;

- Pay Mr C's claim for the greater of the difference between his motor insurance settlement and the amount required to settle the outstanding balance on Mr C's finance agreement,
- Add 8% simple interest on the above, from the date of Mr C's claim to the date it makes payment.
- Pay £250 to reflect the distress and inconvenience caused.

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### **My final decision**

For the reasons explained above I uphold the complaint and require CarFinance247 Limited to settle matters by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 July 2024.

Kiran Clair  
**Ombudsman**