

The complaint

Mrs C complains that Harwoods Limited (“Harwoods”) mis-sold her a Guaranteed Asset Protection (“GAP”) insurance policy.

What happened

Mrs C bought a car from Harwoods, and she says they also suggested it would be a good idea to take out a GAP policy. Mrs C says they asked to see a copy of her motor insurance and took a copy of this, which she says showed she was a named driver under her husband’s motor trade policy. Mrs C says around two years later her car was stolen. She reported this to her GAP insurer, but her claim was declined on the basis she had a motor trade insurance policy for her car – and this was excluded under the policy terms and conditions. Mrs C then complained to Harwoods that they’d mis-sold her the GAP policy. Harwoods responded and explained the documents Mrs C had signed made it clear that she intended to take out fully comprehensive car insurance.

Our investigator looked into things for Mrs C. He thought Harwoods hadn’t mis-sold the policy. Mrs C disagreed so the matter has come to me for a 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.

Having done so, I’ve decided not to uphold the complaint. I understand Mrs C will be disappointed by this but I’ll explain why I have made this decision.

The information shows Harwoods went through and completed a Demands and Needs document with Mrs C. The Demands and Needs document, which has been signed by Mrs C, shows details of the GAP policy which was discussed with Mrs C. There’s a series of questions which include, *“Do you intend to takeout fully comprehensive motor insurance for the full insurance term...”* and this has been answered ‘Yes’. There’s a declaration under this which says, *“You intend to takeout fully comprehensive motor insurance and in the event of your vehicle being...stolen you would like the original purchase price being made back to you in full...”*

There’s a declaration further into the document which has been signed by Mrs C which says, *“I confirm that I have received a copy of the Insurance Product Information Document (IPID) in sufficient time to make an informed decision.”*

The GAP policy’s Insurance Product Information Document (“IPID”) notes, under a section headed ‘Are there any restrictions on cover?’, *“Motor Insurance: You must have fully comprehensive motor insurance cover on your vehicle throughout the term of this product. Note: motor trade insurance policies of any type are excluded.”* The policy terms and conditions say a motor insurance policy, *“means a comprehensive motor insurance policy issued by an authorised UK motor insurer which insures against accidental loss of or damage to the vehicle throughout the period of insurance Note: motor trade insurance policies of any type are excluded.”*

Taking into account the information I've seen, I think these documents made it clear that it was a specific requirement of the GAP policy for Mrs C to have a comprehensive motor policy. I acknowledge Mrs C says Harwoods took a copy of her husband's motor trade policy and ought to have realised, and brought to her attention, this wasn't sufficient. But the Demands and Needs document says Mrs C intends to take out fully comprehensive motor insurance, so I don't believe there was a responsibility on Harwoods to raise any issue during the sale process or for them to consider the GAP policy as unsuitable for Mrs C. I think it's reasonable for Harwoods to take the view that the GAP policy is suitable for Mrs C on the basis she has signed a declaration which confirms she intends to take out comprehensive motor insurance.

Mrs C says the salesperson confirmed a motor trade policy would be fine as long as Mrs C added the car to the policy – which she says she did. I do acknowledge Mrs C's point, but I haven't seen any evidence of this discussion. So, I've based my decision on the evidence I have seen. And that persuades me Mrs C was given notice, through a number of documents, of there being a requirement for her to have comprehensive motor insurance. I think it's also important for me to point out that the IPID and policy terms and conditions made it clear that a motor trade policy, specifically, is excluded – so I can't say there was any ambiguity about whether a motor trade insurance policy would meet the necessary requirements for the GAP policy.

Mrs C also says she was given a tablet in the showroom to use to sign the documents, and she was then sent the full document once she made a claim. I again acknowledge Mrs C's points but in sections of the document containing Mrs C's signature are declarations which say she has received the Initial Disclosure Document and IPID – and these set out the requirement for Mrs C to have comprehensive motor insurance. So, taking this into account, I'm persuaded this requirement was made clear to Mrs C.

Looking at the information presented in these documents, I can't say the information isn't clear or that it's misleading. The information makes it clear that Mrs C will need comprehensive motor insurance through the term of the GAP policy – and that a motor trade policy doesn't meet this requirement. So, I can't say the GAP policy was mis-sold to Mrs C.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 1 July 2024.

Paviter Dhaddy
Ombudsman