

The complaint

Miss T complains about the level of service provided by Advantage Insurance Company Limited under her motor insurance policy when her car was damaged whilst she was abroad.

What happened

Miss T's car was damaged in an incident whilst she was abroad, and she made a claim to Advantage. It said, based on Miss T's description, that her car was a total loss and so it wouldn't repatriate it. Instead, it asked Miss T to arrange for the car to be recovered and salvaged.

Miss T was unhappy with this as she thought this was Advantage's responsibility. She said she incurred costs because of this. Advantage paid Miss T a total of £350 compensation for its service failings and £50 per person for her onward travel. But Miss T remained unhappy.

Our Investigator recommended that the complaint should be upheld. She thought Miss T was entitled by the policy's terms and conditions to the same service in the country where she was abroad as she was in the UK. She thought it was reasonable for Advantage to decide that the car was a total loss based on a desk top assessment. And she also thought Miss T wasn't entitled to a courtesy car as her car had been deemed a total loss.

But she thought Advantage should have arranged her car's recovery and salvage. She thought, to put things right, Advantage had paid Miss T reasonable compensation for her trouble and her onward travel costs. But she thought it should also refund her the expenses she incurred due to staying abroad after she provided reasonable evidence for these costs.

Advantage replied that it had acted within the policy's terms and conditions as it had agreed to cover the reasonable costs of Miss T's recovery when it was unable to arrange this directly. It said it had paid Miss T her total loss payment but hadn't taken ownership of the car. Miss T replied that the salvage value of the car covered the cost of the recovery, so she received no payment for the car's salvage.

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.

It's now a year since the incident and I can understand that Miss T would want to put this matter behind her. She has explained that the claim caused her considerable trouble and upset both at the time and when she sought redress from Advantage. I can understand that she must have felt frustrated and stressed by this.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably. I can see that Miss T's policy also covered her abroad in the country she was visiting:

"Full policy cover abroad

This policy also includes the cover described on your schedule of insurance and Certificate of Motor Insurance for each trip up to 90 consecutive days, to use your car in [that country]."

So I think it was reasonable for Miss T to expect the same level of cover abroad as she would have had at home. Advantage relied on the policy's terms and conditions on page 18 of the policy booklet under "How your claims are settled under sections 1 and 2" to explain the level of service it had provided:

"How the insurer will deal with your claim for accident, vandalism, malicious damage, theft, attempted theft, fire or lightning

If your car is damaged, your insurer will arrange the transportation of your car to the nearest suitable nominated repairer or a place of storage. Where appropriate they'll also return it after repair to the address shown on your schedule. Alternatively, they'll cover the reasonable cost of doing this."

And

"Travel and accommodation expenses

Your insurer will pay up to £50 for each person, up to a maximum of £250, if you can't continue your journey as a result of loss or damage to your car under sections 1 or 2 of this policy."

And, on page 20:

"Total loss - if your car can't be repaired

If your car can't be repaired or your insurer deems your car to be unsafe or the cost of repair to be uneconomical, your car will be declared a total loss (sometimes called a "write-off").

If your car is a total loss, your insurer may put it in storage until your claim is settled. As soon as a total loss settlement is agreed and paid by your insurer, your insurer is entitled to take possession and ownership of your car and any salvage shall become your insurer's property."

Advantage said it had complied with the policy's terms and conditions when it responded to Miss T's claim. And I agree that it reasonably declared the car to be a total loss based on Miss T's description of the damage. I don't think it's unusual for insurers to carry out desk top assessments in order to decide a car's status rather than incur the costs of an engineer, and in this case, repatriation.

I also agree that Miss T wasn't entitled to a courtesy car under her policy as her car had been declared a total loss. And I think Advantage paid the onward travel costs Miss T was entitled to by the policy, £50 per person.

After Miss T's complaint came to us Advantage reviewed its level of service and found it wanting on this occasion. It said Miss T had experienced poor communication and poor service, and it offered her £100 compensation for this. And it agreed that it had delayed settling her claim by over two months and then delayed paying her the full settlement and her onward travel entitlement.

I can see that Miss T had to chase Advantage for updates and for her settlements, causing her trouble and upset. Advantage offered Miss T £250 for these delays. And I think the total compensation offered, £350 is fair and reasonable as it's in keeping with our published guidance for where there has been significant inconvenience that needed effort to sort out.

But I'm not satisfied that Advantage covered the reasonable costs that Miss T incurred when she was left to make her own salvage arrangements. Advantage said it didn't have contracts with suppliers abroad that could carry out the recovery and salvage, and I can't reasonably say that it should as that's its commercial decision.

But the policy says that the cover is the same abroad in the specified countries as in the UK. And so I think it was unfair for Advantage to tell Miss T to arrange her own recovery and salvage. And I also think that where it can't provide this, the term covering reimbursement of the reasonable cost should come into play.

Advantage said it had waived its interest in the car's salvage, and so it wasn't responsible for it. But I disagree as under the policy terms above, Advantage should have arranged for the car to be taken to a repairer or storage. But it didn't do this. Instead, Miss T had to arrange the car's recovery to a salvage agent.

Miss T said the cost of the recovery was met by the car's salvage value. So she had no benefit from the car's salvage. Unfortunately, she didn't obtain an invoice or receipt to show this, but I have no reasons to doubt her account. However, as Advantage paid her the car's market value without a deduction for salvage, I think that reasonably covers the actual recovery costs.

Miss T said she had to extend her time abroad to make the recovery and salvage arrangements. She has provided evidence that she had to rearrange her return home and that she incurred costs because of this. But I can't see from these receipts, or her testimony, exactly how long she needed to extend her stay. So she may need to provide further explanation and evidence of her planned and rearranged travel dates.

But I agree that Advantage should reimburse Miss T the costs she incurred whilst she had to stay abroad to arrange for her car to be salvaged. This is because but for Advantage's level of service she wouldn't have had to stay abroad and so wouldn't have incurred these costs. This payment should be made upon provision of receipts and because Miss T has been without her money for some time, interest should be added to this amount.

Putting things right

I require Advantage Insurance Company Limited to do the following:

1. Pay Miss T £350 in total compensation for the distress and inconvenience caused by its level of service, as it's already agreed to do.
2. Reimburse Miss T for the costs she incurred whilst she had to stay abroad to arrange for her car to be salvaged. This payment should be made upon provision of receipts and interest should be added to this amount at the rate of 8% simple per annum from the date of payment to the date of settlement†.

†If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss T how much it's taken off. It should also give Miss T 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. I require Advantage Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 9 September 2024.

Phillip Berechree
Ombudsman