

The complaint

Mr R complains that Arch Insurance Company (UK) Limited declined his travel insurance claim. My references to Arch include its agents.

What happened

Mr R has travel insurance through his employer's group policy, the insurer is Arch. While he was driving a hire car on holiday the car broke down, the clutch had failed. Mr R was charged a €744 excess by the hire car business which he claimed for on his travel insurance.

Arch declined the claim. It said the policy provided cover if the hire car was damaged or involved in an accident, there was no cover for the car's mechanical failure.

Mr R complained to us. He said the policy wording could be read as giving cover for mechanical damage. If Arch didn't want to cover that sort of damage there should be a clearly worded exclusion. Mr R wants Arch to pay his claim, without applying any excess, and compensation for his inconvenience and time he'd spent on the claim. Mr R said it'd taken several months to get through Arch's claim and complaint process and its response times had been slow.

Our Investigator said Arch reasonably declined the claim. She recommended it pay Mr R £50 compensation for his distress and inconvenience due to its delays.

Arch agreed with our Investigator's recommendation of £50 compensation. Mr R said he would have liked higher compensation given the time he'd spent making his complaint to Arch and us but he accepted our Investigator's recommendation.

Our Investigator told Arch that Mr R had agreed to her recommendation but Mr R has told us he hasn't received the compensation. He's now asked for an Ombudsman's 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.

The relevant regulator's rules say that insurers must handle claims promptly and fairly and they mustn't turn down claims unreasonably.

The policy says under the 'UK & European Collision Damage Excess Waiver' section:

'Covered

In respect of trips within the territorial limits of Europe and the United Kingdom we will pay up to the amount shown on the schedule of cover for:

- a. the reimbursement of the accidental damage excess applied to Your car hire*

insurance if the Insured Vehicle is damaged or involved in an accident during the Rental Period;

The policy only provides cover for an accidental damage excess if the hire car is damaged or involved in an accident during the rental period.

The hire car business charged Mr R the excess because of the car's mechanical failure, a failed clutch. The clutch wasn't damaged because of an accident. So the circumstances of Mr R's claim weren't an insured event under the policy cover. I think the above policy wording is clear enough that the cover doesn't extend to wear and tear mechanical failure. I'm satisfied that Arch fairly and reasonably declined the claim.

I think there were some delays in Arch's claim handling, which Arch appears to accept as it agreed to our Investigator's recommendation to pay Mr R compensation on that basis. I think £50 compensation for Mr R's distress and inconvenience due to Arch's delays is a reasonable amount. I wouldn't generally award compensation for the time a consumer has spent in making a complaint to an insurer or to us and there are no reasons to do so in this case.

Arch must pay Mr R £50 compensation for his distress and inconvenience its poor service caused. Both parties previously agreed to settle this complaint on that basis but Mr R has told us Arch didn't pay him the agreed compensation. If Mr R accepts this final decision before the deadline we set then Arch must put things right in the way that I've told it to. If Arch doesn't do so then we can give Mr R information about the steps he can take.

In the circumstances I think it's reasonable for me to say that Arch must pay interest, as I've detailed below, on the compensation if it pays later than 28 days from the date on which we tell it Mr R accepts my final decision.

My final decision

I partly uphold the complaint and require Arch Insurance Company (UK) Limited to pay Mr R £50 compensation for his distress and inconvenience its poor service caused.

Arch Insurance Company (UK) Limited must pay the compensation to Mr R within 28 days of the date on which we tell it Mr R accepts my final decision. If it pays later than this it must also pay interest* on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

*If Arch Insurance Company (UK) Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mr R how much it's taken off. It should also give Mr R a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 9 September 2024.

Nicola Sisk
Ombudsman