

## **The complaint**

Miss R complains Covea Insurance plc has unfairly settled a claim she's made on her motor insurance policy and is unhappy with the time this took and the impact it had on her.

## **What happened**

The circumstances of this complaint are well known to the parties and have been comprehensively documented by our Investigator previously, so I'll provide a summary here.

- Miss R leased a car from a company which I'll refer to as X. She made payments on the lease under a salary sacrifice scheme with her employer. The car was involved in an accident and was declared a total loss by Covea. Miss R says Covea assured her the settlement of the claim would clear the outstanding lease. But X said Miss R still owed it £3,866 after the settlement was made. The terms of the salary sacrifice agreement held Miss R responsible if there was a loss following damage to the vehicle so she cleared the shortfall by continuing to make her monthly payments.
- Miss R was unhappy with how Covea settled the claim and complained to it and then to this Service. Our Investigator said Covea had undervalued the car and it should reimburse Miss R for the shortfall together with interest at 8% simple and consider a partial refund on any deposit she made at the start of the lease. And pay £450 for the distress caused.
- Miss R accepted the findings but Covea didn't. It said the settlement it paid was the value of the car less VAT as X would have claimed back VAT at the point of purchase. But this didn't change the Investigator's mind and so the complaint 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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim. They should also settle claims promptly once settlement terms are agreed. I'll be keeping this in mind while considering this complaint together with what I consider to be fair and reasonable.

A number of the issues Miss R originally complained about were dealt with by our Investigator and Miss R accepted what he said so there's no need for me to revisit or make findings on these. The key issue that remains in contention is the amount of the shortfall Miss R had to pay after the settlement was insufficient to clear the lease in full.

### *The shortfall*

- Covea says it initially valued Miss R's car at £35,340. When it made a payment to X

in settlement of the claim, it first deducted VAT and the policy excess from this valuation, resulting in a net payment of £28,825 and a shortfall on the lease. It subsequently increased its settlement figure and made an additional payment to X which reduced the shortfall to £3,866.

- Miss R has a market value policy which is defined in the policy terms as:

*“Market Value*

*The cost of replacing your vehicle with a vehicle of the same make, model, specification, age, mileage, and condition as your vehicle was immediately before the loss or damage you are claiming for”.*

- It's this Service's general approach that where an insurer makes a settlement offer lower than the highest valuation from the trade guides it needs to show it's satisfying the policy term, in this case by paying the market value as defined in the policy.
- Our Investigator detailed the values produced by the guides this Service uses to determine a fair value. Having done so, he concluded a fair valuation for Miss R's car was £36,714, somewhat higher than the value Covea reached. I'm satisfied this figure is in line with this Service's approach to car valuations – which Covea will be well aware of. I note Covea hasn't provided additional persuasive information to dispute this valuation.
- In addition to undervaluing the car, Covea also deducted VAT from the settlement on the basis it said X would have claimed this back at the point of purchase. Covea hasn't highlighted anything in the policy terms which says it will adopt this approach. And in this case, that approach has caused Miss R to be out of pocket through no fault of her own.
- I'm not satisfied it would be fair or reasonable for her to experience a shortfall because Covea is concerned about what arrangements X may have regarding claiming back VAT. As our Investigator already pointed out, the purpose of the policy is to indemnify Miss R, not X. This concern is simply nothing to do with Miss R and any arrangement X may have is completely outside her control.
- Given what I've said above and the absence of persuasive evidence to support its lower valuation and approach, I'm not persuaded Covea has shown it's satisfied the policy term. So in the specific circumstances of this case, I don't think Covea's approach to settling the claim was fair and reasonable and it left Miss R with a substantial shortfall to pay from her own funds.
- I will be directing Covea to reimburse Miss R the shortfall together with interest at 8% simple per annum from the days she made the payments to when it reimburses her on provision of evidence to show when the payments were made.

*The deposit*

- I've already let Miss R know I wouldn't be directing Covea to take any further action on the aspect of the deposit. Miss R has accepted what I said so I don't need to comment on this further.

*The time taken to deal with the claim and settlement*

- It's clear from her submissions, Miss R found Covea's handling of the claim distressing. She found she owed a considerable sum of money on the lease even after she says Covea reassured her this wouldn't be the case.
- The settlement of the claim took longer than I would expect and I can see Miss R had to chase for progress. If Covea had reached the right outcome, Miss R wouldn't have had to find the funds to pay the shortfall nor would she have been inconvenienced as much as she was.
- Covea should pay her £450 in recognition of its poor claims handling.

### **My final decision**

My final decision is that I uphold this complaint and direct Covea Insurance plc to pay Miss R:

- £3,866.94 less her policy excess (£625) together with interest at 8% simple\* per annum from the dates she made the payments to clear the outstanding balance to the date it pays her on provision of evidence to show when she made payment.
- £450 for the distress and inconvenience it caused Miss R.

Covea Insurance plc must pay the compensation within 28 days of the date on which we tell it Miss 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 Covea Insurance plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss R how much it's taken off. It should also give Miss R a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 16 April 2025.

Paul Phillips  
**Ombudsman**