

## The complaint

Miss T is unhappy with the way Advantage Insurance Company Limited handled her motor insurance claim after her vehicle was stolen.

## What happened

Miss T took out a motor insurance policy with Advantage in September 2023. A few weeks later her vehicle was stolen so she made a claim under her motor insurance policy. When reporting the theft Advantage explained what the next steps were, the agent said the theft team would be in touch to progress the claim. If the vehicle hadn't been recovered, Miss T would receive the current market value with deductions of £95 excess as well as any outstanding direct debits. He also explained as the vehicle is on finance anything outstanding on the finance will also be deducted and an email going over what's been discussed would be sent. I'm not aware that email had been sent.

On 16 October 2024 Advantage spoke to Miss T and provided a valuation for her vehicle as they agreed to settle her claim as a total loss. They explained the vehicle had been valued at £5772.75 and a policy excess of £95 that needs to be paid as well as the finance of £1721.74 so the amount they would give Miss T is £3956.01. They also confirmed they would pay the outstanding finance directly to the finance provider. At this point the agent didn't mention the outstanding premiums or what would happen to the policy. And Miss T was under the impression it had all been settled once she had received the payment.

On 19 October 2023 a letter was sent to Miss T asking her to set up a new direct debit as they'd been informed she had cancelled the direct debit. It asked her to set up a new direct debit instruction or pay the full amount outstanding, either of which could be done online or by calling them. It also explained if they haven't heard from her by 4 November 2023, they would cancel the policy. A text message and email were also sent highlighting the issue.

Miss T called Advantage on 26 October 2023 to discuss it, she was unhappy the 30-day window for adding a new vehicle to the policy wasn't explained and that the remaining premiums weren't deducted from her valuation. A new direct debit was set up and a complaint was raised about this.

On 28 November 2023 Advantage responded to the complaint. They accepted they hadn't provided the service they should have by not informing Miss T of the 30-day window to add a new vehicle to the policy before it was cancelled as well as the remaining direct debits not being deducted from the valuation. They apologised and paid £100 compensation.

Miss T referred her concerns to this service. Our investigator upheld the complaint and as a result of Advantage's errors and the impact they'd had asked them to wipe the outstanding premium owed and remove any adverse markers that may have been added as well as pay £100 compensation.

Advantage agreed to pay compensation, increasing it to £200 so paying £300 in total but felt the premiums were still payable. As a resolution couldn't be reached, I issued a provisional decision on 16 September 2024 which said:

*“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.*

*Whilst I’ve considered all the information, I haven’t commented on it all. Instead, I’ve referred to what I consider most relevant to the outcome reached. This isn’t meant as a discourtesy but simply reflects the informal nature of this service.*

*Advantage has a responsibility to handle claims promptly and fairly and they shouldn’t decline a claim unreasonably. They’ve accepted the claim and settled it and have also accepted they failed to inform Miss T, at the appropriate time, about the option to add another vehicle to the policy within a specified timeframe and highlight the fact that the remaining premium was still owed.*

*The policy terms and conditions set out the agreement between Miss T and Advantage. I note they say:*

*“Total loss – if your car can’t be repaired*

*If you are paying for your policy by instalments under a loan arrangement with us and your insurer settles a total loss claim under these sections, your consumer credit agreement with us may entitle us to do one of the following:*

- Take the outstanding amount due for your consumer credit agreement out of the claims settlement*
- Require you to pay the outstanding amount due for the car in question.*

*If your car is declared a total loss, and you have already paid the premium in full, no refund will be made for the car in question, even if the cover for the car is later cancelled. This may not apply if your insurer is able to recover all losses from a third party. In this case insurers may sometimes refund the premium paid and, if they do, we will pass that refund on to you.*

*If your claim is settled on a total loss basis and you don’t replace your car within 30 days of being issued the settlement payment we will cancel your policy (in the case of a single car policy). In the case of a multi car policy we will cancel cover for the car in question but the policy, with the other car/s you have insured on it, will remain in place. In both cases, the provisions above relating to loan agreements and refunds will still apply.”*

*So, it is clear that in the event they declare the vehicle a total loss, the premiums would still be due, and this may or may not be deducted from the settlement figure. And that if a replacement vehicle isn’t added to the policy within 30 days of being issued the settlement payment, they will cancel the policy, but this doesn’t change the fact the premiums for the policy would still be owed.*

*Whilst it is clear in the policy, I think it reasonable to expect Advantage to have explained this at the point of claim, particularly as the vehicle had been deemed a total loss. I note in the first notification call Advantage did explain that if they couldn’t recover the vehicle, Miss T would receive the current market value minus an excess deduction as well as any outstanding direct debits. So, at this point I think it was clear the premiums would still be due. However, in subsequent communication such as the call where Advantage explained the vehicle valuation on 16 October 2023. They failed to highlight the outstanding premiums or the 30-day timeframe to add another vehicle. But at this point Miss T told us she had already taken a new policy with another provider.*

*I understand Miss T may have thought Advantage would automatically deduct any outstanding premiums from her settlement. But I note in the call the agent clearly explained that the vehicle had been valued at £5772.75 and they would deduct £95 for the excess and pay the finance of £1721.74. So, whilst I recognise the agent didn't mention the remaining premium, it is clear the premium hadn't been taken off the settlement.*

*Miss T explained she went on to cancel the direct debit for her premiums as she thought everything had been settled. And I can see Advantage got in touch with her on 19 October 2023 to chase payments for the policy. When Miss T got in touch with them on 26 October 2023, she became aware of the 30-day window to add a new vehicle to the policy and she agreed to set up a new direct debit to pay the outstanding premiums.*

*At this point she still had time to add a new vehicle to her policy as the 30 days didn't expire until 15 November 2023. But this didn't happen and whilst she explained she had already insured a new vehicle elsewhere, calls between Miss T and Advantage suggest otherwise. Having listened to the calls between Miss T and Advantage she explains she doesn't have a vehicle to add to the policy and isn't in the position to get another vehicle at that time. Which suggests she would never have been able to take advantage of the 30-day option to insure another vehicle, so her position here hadn't changed.*

*Whilst it's clear Advantage should have done more to alert Miss T to the position in relation to her outstanding premiums, it doesn't change the fact that she agreed to pay for the policy in instalments. The policy is clear that in the event of a total loss, the premiums would still be owed and as they haven't taken them from the final settlement figure Miss T is required to pay it as she has had a claim on the policy.*

*For the reasons explained I think Miss T is liable for the outstanding premiums, though I'd expect Advantage to treat her positively and sympathetically in organising for that to be paid, taking account of any financial difficulties this may cause and allowing her to pay this in instalments if needed.*

*I understand Miss T was concerned about a cancellation marker being added to her file as a result of Advantage cancelling the policy. But since the policy came to an end following a total loss claim, I wouldn't have expected a marker to have been added in this respect and I'm not aware there has been one.*

*I note Advantage had increased their offer of compensation to £300 in total in relation to their handling of the settlement, which includes the £100 they've already paid. For the reasons explained, I think that fairly reflects the distress and inconvenience caused.*

### **My provisional decision**

*My provisional decision is that I partially uphold Miss T's complaint and to put things right I require Advantage Insurance Company Limited to:*

- *Treat Miss T fairly and sympathetically in arranging a suitable repayment plan for the premiums owed.*
- *Pay Miss T £200 compensation bringing the total payment for distress and inconvenience to £300."*

### **Responses to my provision decision**

*Advantage and Miss T have accepted the provisional decision. Advantage raised a question in relation to what would be deemed a suitable repayment plan but neither party has*

provided any further information for me to consider.

### **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.

I'm aware Advantage have now provided a proposed repayment plan which Miss T has accepted. As both Advantage and Miss T have accepted my provisional decision and haven't provided any further information or evidence for consideration, I see no reason to deviate from the outcome reached in my provisional decision.

### **My final decision**

My final decision is that I uphold the complaint in part. To put things right Advantage Insurance Company Limited should:

- Treat Miss T fairly and sympathetically in arranging a suitable repayment plan for the premiums owed.
- Pay Miss T £200 compensation bringing the total payment for distress and inconvenience to £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 17 October 2024.

Karin Hutchinson  
**Ombudsman**