

The complaint

Miss L complains Mulsanne Insurance Company Limited didn't handle a claim against her motor insurance policy fairly.

What happened

Miss L had a motor insurance policy with Mulsanne. In February 2022 she made a claim, which Mulsanne ultimately accepted. Miss L complained about several concerns she had with the way Mulsanne handled the claim.

Our Investigator recommended the complaint should be upheld in part and set out what Mulsanne should do to resolve it. Both parties accepted the Investigator's recommendation in February 2024.

Mulsanne didn't make the agreed settlement and has been proposing a different settlement since July 2024. The Investigator didn't agree with Mulsanne's proposed new settlement. As an agreement couldn't be reached, the complaint was passed to me to decide.

I issued a provisional decision. I said:

"I've considered all the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As referred to above, there were several aspects to this complaint when it was first brought to our Service. But as those, and much else, is no longer in dispute, I will focus on the matter at hand, which is what the fair settlement calculation should be.

The crux of this matter is the impact Mulsanne's claim delays had on Miss L. The claim should have been settled in April 2022, but Miss L's car finance agreement wasn't settled by Mulsanne until May 2023 and she wasn't paid the rest of the settlement until October 2023.

The settlement for Miss L's claim was £24,900 (£25,575 market value, less £675 excess). Had the claim been settled on 21 April 2022, which I find is a reasonable date for the claim to have been settled on, the claim settlement would have been circa:

- £19,331.66 to the finance company; and
- £5,568.34 as cash to Miss L.

Instead, as Miss L wasn't paying the finance company monthly repayments (which I find understandable given how long this matter went on for) interest accrued, meaning in May 2023 Mulsanne paid £22,445.59 to settle the finance agreement. In October 2023 it paid Miss L the remainder of the settlement, £2,454.41. The total settlement was £24,900.

The Investigator recommended Mulsanne, to put things right, pay Miss L:

A - £5,568.34 (the cash Miss L would have been paid if the claim had been settled in April 2022) plus 8% simple interest* per year from 21 April 2022 to the date of settlement.

Less:

B - £2,454.41 (the cash paid to Miss L in October 2023), plus 8% simple interest* per year from 27 October 2023 to the date of settlement.

Plus £250 compensation for the distress and inconvenience caused.

Both parties accepted this recommendation in February 2024.

Mulsanne now argue Miss L was in arrears with her finance repayments, pre-dating the claim, and so it's liability should be less. I understand how that might be the case in some circumstances. But here, it doesn't make a material difference. I say this because Mulsanne was due to pay Miss L £24,900. Had there been no arrears, it simply would have paid more to Miss L in cash. In other words, the result is the same; what the arrears changes is the proportion of the settlement paid to the finance company and the proportion of the settlement paid to Miss L in cash. Mulsanne's outlay, but for what I will come on to, was the same.

Mulsanne's claim delays led to Miss L incurring more interest on the finance agreement. And as she was deprived of money that should have been available to her, she incurred an interest loss there too – by this I mean she was deprived of money she could have used to her financial benefit. I have reviewed the Investigator's methodology against Mulsanne's methodology. I find the Investigator's methodology the fair and reasonable one, for the reasons set out above. It follows I intend to require Mulsanne to implement it.

Matters have moved on somewhat in the meantime because Mulsanne paid Miss L £938.61 on 22 February 2024. Mulsanne can take this into account when calculating what it owes Miss L, using the Investigator's methodology.

The Investigator had recommended Mulsanne pay Miss L £250 compensation in recognition of the distress and inconvenience she was caused. I find its recent actions – agreeing to a settlement, not progressing matters for several months, and then unreasonably reneging on their agreement – caused Miss L additional, avoidable distress and inconvenience. I'm intending to require Mulsanne to pay Miss L a further £150 compensation, meaning it will need to pay her £400 compensation in total.

Provisional decision

I intend to uphold this complaint and require Mulsanne Insurance Company Limited to resolve it by paying Miss L:

- what she is fairly owed, as set out above; and
- £400 compensation, in total, in recognition of the distress and inconvenience she was caused."

Miss L didn't have any further evidence or arguments for me to consider. Mulsanne didn't respond by my deadline, or by my extended deadline.

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.

In the absence of any further evidence or arguments I see no compelling reason to depart from my provisional decision. It follows I uphold this complaint for the reasons set out in my provisional decision.

My final decision

I uphold this complaint and require Mulsanne Insurance Company Limited to resolve it by paying Miss L:

- what she is fairly owed, as set out above; and
- £400 compensation, in total, in recognition of the distress and inconvenience she was caused.

*If Mulsanne considers that it's required by HMRC to deduct income tax from that interest, it should tell Miss L how much it's taken off. It should also give Miss L a tax deduction certificate if she asks for one, so she can reclaim the tax from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 12 November 2024.

James Langford
Ombudsman