

The complaint

A limited company, which I will refer to as N, complains about the handling of its commercial motor insurance claim by Ageas Insurance Limited.

What happened

The following is intended only as a brief summary of events. Additionally, even where other parties have been involved in the process, I have largely just referred to N and Ageas for the sake of simplicity.

N operates in, what I will refer to as, the design and construction industry. It uses a number of vehicles for this purpose and held a small fleet motor insurance policy underwritten by Ageas. In October 2022, one of N's vehicles was damaged and was unusable. N contacted Ageas to claim for the damage. It took Ageas until mid-December 2022 to confirm that it considered the vehicle to be a total loss. And it was not until early January 2023 that Ageas confirmed its stance on the valuation of the vehicle.

During this period, N had hired an alternative vehicle as it needed this to continue its operations. Ageas had made it clear during this period that the policy N held did not offer a hire vehicle. N was able to receive an offer of £2,000 toward these hire costs from the third party that caused the damage. But Ageas said that it would not be making any such payment.

Ageas did though agree that it ought to have reached an outcome on the claim within around two weeks of the claim being made. So, it offered N £750 in compensation for this.

N brought its complaint to the Financial Ombudsman Service. And our Investigator recommended that it be upheld. He thought that it would be fair and reasonable for Ageas to pay N the hire charges N had incurred during the period of avoidable delay, between mid-November 2022 and early January 2023. But that the compensation payment should be reduced to £250 to take into account the overall circumstances.

Ageas didn't agree with this though, so the complaint has been passed 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.

Having done so, I am upholding this complaint. I'll explain why.

It should be noted that the timeline above does not include all of the relevant events. For example, there was around a week in late October 2022 when Ageas was waiting for N to take action. It would not be fair or reasonable for Ageas to be held responsible for this period. Nevertheless, Ageas seemingly accepts that it was responsible for a period of delay between mid-November and mid-December 2022.

Where an insurer causes an avoidable delay in the progression of a claim, and this leaves a customer without a vehicle or settlement they otherwise would have, it is appropriate to consider the impact of this. And for the insurer to suitably compensate the customer.

In some situations, the impact will be limited to some inconvenience. However, in other situations, there is a direct financial consequence. If there is such a consequential loss, we would generally expect an insurer to compensate a customer to the level of this loss.

This is especially true for commercial customers, where they are relying on the insured item for their business. Where an insurer has caused a delay, this is often likely to lead to such customers suffering a business interruption. And, generally, I would expect the insurer to pay the resulting financial loss. This is not to say that such losses are insured losses. Instead, compensation should be paid to the customer for the impact of the service failure – with the intention of putting the customer back in the position they otherwise would be.

Our normal approach in these situations might involve asking a complainant to demonstrate the level of financial loss/business interruption caused by the delays. We would also think about the mitigation of such losses though. And this might take into account hiring alternative equipment to carry out the complainant's business.

In this case, it appears that the losses N might otherwise have experienced were largely mitigated by its decision to hire a replacement vehicle. So, it seems only limited business interruption was experienced.

The cost of mitigation is still a consequential loss though. Had N not mitigated its losses, the business interruption – and related redress for that – would be higher. The aim of course would be that the mitigation, and the cost of this, is less than the financial loss the business would have suffered as a result of the delay/business interruption. I note Ageas' comments that N spent more on the hire vehicle than its own van was worth – and potentially more than the losses that would have been caused by an interruption to its business. Mitigation should be with a view to minimising the financial loss caused by the business interruption.

However, the question is whether N's mitigation was reasonable in the circumstances, based on what it knew/ought to have known. Where there is a lack of certainty, business customers will have to make decisions based on what they consider appropriate at any given time.

Here, it seems N reasonably expected the claim to be resolved imminently whenever they spoke to Ageas. It is likely that N expected to only hire the vehicle for a short period – thus incurring limited costs. Without Ageas having provided N with a clear timeline for when the claim would be resolved, it would be difficult for N to have foreseen that the hire costs would exceed the value of the vehicle. So, N made decisions based on only needing a hire vehicle for a short period more. And, largely speaking, I don't think it acted unreasonably.

It follows that Ageas should be responsible for the hire charges N incurred, and was unable to recover elsewhere, for the period Ageas caused an avoidable delay.

There is some dispute over the length of this period. Ageas has agreed that it caused 29 days of delay. Our Investigator concluded the period of delay was longer than this. The issue appears to be the period where the valuation of the vehicle was disputed by N – between mid-December 2022 and early January 2023.

I contacted Ageas, asking for it to evidence that it had not caused the delay over this period. However, Ageas did not provide anything further. As a result, I do not consider it has demonstrated that it appropriately progressed N's claim over this period either.

So, taking everything into account, I am persuaded that Ageas ought to be responsible for the hire charges N incurred throughout this period.

I agree with our Investigator that the payment of the hire charges will reduce the overall impact on N to some general inconvenience. However, I also agree that the failure to keep N updated and to appropriately progress the claim will have caused it a level of inconvenience that requires compensating also. N had to hire an alternative vehicle and renew the agreement on multiple occasions, and faced general uncertainty throughout this period.

Putting things right

Ageas Insurance Limited should put things right by:

- Paying N the hire charges it incurred for its replacement vehicle, over the period between 18 November 2022 and 4 January 2023, less the £2,000 offered by the third party toward these costs.
- Adding interest to this payment at a rate of 8% simple, from the date any of the charges were incurred to the date of settlement. And paying this interest to N.
- Paying N £250, rather than £750, compensation for the general inconvenience caused.

My final decision

My final decision is that I uphold this complaint. Ageas Insurance Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 20 January 2025.

Sam Thomas
Ombudsman