

## The complaint

Mr L has complained about the way Covea Insurance plc handled his claim under his van insurance policy, including what it paid in settlement of it.

## What happened

The background to Mr L's complaint is well known to both Covea and Mr L, so I will not repeat it here.

However, I do think it is worth mentioning the main things Mr L is concerned about. The first is that after he made his claim to Covea and it valued his van, it did more or less nothing for around eight months and then wrote to Mr L saying it was going to close his claim. This meant Mr L had to rely on a hire van for a long period of time and couldn't afford the payments on the finance plan he had for his van.

Secondly, when Covea did eventually say it would settle Mr L's claim it offered a lot less than the cost of replacing his van. This was in part due to it deducting £1,000 for things that happened to the van after it was damaged in the accident which led to his claim.

I issued a provisional decision on Mr L's complaint on 10 March 2025 in which I set out what I'd provisionally decided and why as follows:

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

*I agree Covea took far too long to settle Mr L's claim and I can see that this led to financial difficulties for Mr L and a great deal of distress and inconvenience. As I see it, there was no good reason why – if it had acted sooner – Covea couldn't have got the settlement amount from Mr L's finance company and paid what it had offered in settlement to it back in May 2023. This would at least have cleared some of the finance on the van and allowed Mr L to work out what to do about buying a replacement. Instead, Covea didn't really do anything for around eight months. And – even when it did agree to make the payment, it delayed doing this because it couldn't get the finance company to agree to it taking ownership of the van.*

*I appreciate Covea will argue it had to get agreement to it taking ownership of the van before it made a payment, but I don't agree. Mr L shouldn't have been caught in the middle of a dispute between Covea and his finance company. Covea was required to make the payment. It could then have held the van until it could work out with the finance company and Mr L what to do.*

*Turning now to the amount Covea paid in settlement of Mr L's claim. Mr L's policy required Covea to pay the market value of Mr L's van. This is the cost to Mr L of replacing it with one of the same, make, model, specification, year, mileage and condition as Mr L's van. This doesn't mean Mr L needed to be able to actually find a suitable replacement van. Covea just needed to pay what it would have cost Mr L if he could find one, deducting any policy excess he had to pay. Although, I can see Covea waived the excess as Mr L clearly wasn't at fault for the damage to his van.*

*I think Covea settled the claim using the wrong market value for three reasons:*

- 1. It used the wrong valuation. I say this because to be satisfied that Mr L received what I'd describe as a fair market value I'd expect Covea to pay the highest amount provided by the industry guides used for valuing vehicles. Unless it could provide evidence to show less than this is reasonable. But Covea excluded the highest guide, which gave a value of £8,036, including VAT. And while Covea provided three adverts in support of its lower valuation, I do not agree any of these supported it. I say this because they were all for vans that weren't the same age as Mr L's and had a much higher mileage. So, I think Covea should have settled Mr L's claim using a market value of £8,036. Whereas Covea used £3,201.*
- 2. It made a deduction of £1,000 for things that happened to Mr L's van after it was damaged in the accident that caused his claim. It seems to have done this on the basis that if it kept the vehicle, it would be worth less in its damaged state. But if this was the case Covea should have checked how much its salvage agent would knock off for the damage, instead of simply deducting £1,000 as if it was pre-existing damage. However, I don't think Covea should have deducted anything, as the only reason there were more issues with Mr L's van was that Covea didn't settle his claim as quickly as it should have done, which left him having to use it until it was no longer possible for him to do so.*
- 3. It made the payment to the finance company excluding VAT, despite it being clear from its settlement offer to Mr L that VAT needed to be added. Mr L has confirmed he is not VAT registered.*

*Therefore, I consider that as part of the fair and reasonable outcome to Mr L's complaint Covea needs to pay £4,835 more in settlement of Mr L's claim; that is the difference between £3,201 and £8,036. This payment will probably need to go to Mr L's finance company. And it will hopefully clear most of the amount outstanding on Mr L's finance plan. Bearing in mind Covea paid the finance company far too late and paid the wrong amount. And bearing in mind this led to Mr L not being able to make his finance payments, I also consider it is fair and reasonable for Covea to cover any additional interest or charges Mr L incurred because of this. Covea should be able to find out if there were any additional charges and what these were from the finance company, although Mr L may need to help with this. Covea should then also pay the relevant amount to the finance company to cover these. If this means that less than £4,835 is needed to clear the outstanding finance, then Covea should pay the balance direct to Mr L.*

*If the £4,835 and clearing additional interest and charges doesn't clear the full balance, Mr L will need to clear the rest.*

*Covea will take ownership of Mr L's van. And it seems the finance company has now agreed to it doing so.*

*I've also considered the significant impact from what I consider to be very poor claim handling by Covea has had on Mr L both financially and mentally. And, while I appreciate, it is not possible to fully understand all the factors that led to Mr L's financial situation and mental health issues, I have no doubt the poor handling of his claim played a significant part. Covea offered Mr L £300 for distress and inconvenience. But I do not think this is anywhere near enough. It is obviously difficult to decide exactly how much the compensation should be. However, I think it is fair to impact falls into what we describe on our website as causing substantial distress, upset and worry. And I've decided a compensation payment of £1,000 in total is fair. If Covea has paid Mr L the £300 it offered him, it can deduct this.*

I gave both parties until 24 March 2025 to provide further comments and evidence in response to my provisional decision.

Mr L has responded with some further comments. He's said he did not accept the compensation offered by Covea as a final settlement. He provided a finance settlement offer from the finance provider for his van in May 2023 of £7,500. Due to the delay on Covea's part the new settlement figure he obtained in November 2023 was £2,303 more. He thinks Covea should pay this amount. He's said that the finance company has told him they have not added any further interest or charges to the amount outstanding on his agreement. He's also said he has suffered insured and uninsured losses of around £50,000 since he made his claim. These include the cost of a replacement van, hire charges, property damage and loss of earnings. He's also reiterated his point that the issues he has had with his claim have had a severe effect on his mental health. And he doesn't think the additional compensation I've suggested of £700 is anywhere near enough.

Covea has responded with some further comments and evidence. It has said at a market value of over £8,000 it would have got 33% from its salvage agent for Mr L's van if it had been in normal condition for a category N total loss at the point it was damaged. But because the van's engine has been dismantled to a large extent and the back door has a piece cut out of it, it is now only likely to get around 9% of what it considers to be the pre-accident value of the van. It also seems to be suggesting that because the engine on the van appears to have failed around 500 miles after Mr L made his claim, it can't have been in a very good state and this should be reflected in the pre-accident market value.

It's also said Mr L was non-contactable for a period of time after he made his claim, although it accepts it could have been more proactive in chasing him. And when Mr L came back, he'd had full use of his van, so there is little detriment to him to warrant the increase in compensation I have suggested.

### **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, my view on the fair and reasonable outcome to it remains the same as set out in my provisional decision.

I've noted what Covea has said, but its comments do not change my view. I say this because the reason Mr L's van was damaged further and had mechanical issues was that Mr L had to carry on using it because Covea failed to settle his claim by making the appropriate payment to the finance company. As I explained in my provisional decision, if Covea had settled the claim by paying the right settlement amount reflecting the correct market value for Mr L's van, including VAT, and taken possession of it, Mr L would have stopped using it and there would have been no need for him to cut part of the back door away so he could use it properly. It also would never have broken down, as it would have been in Covea's possession. Therefore, I do not consider a deduction from the market value should be made to reflect the fact that the van may have had some mechanical issues is appropriate.

I appreciate Covea may have had to hold on to the van until it had worked out with the finance company what to do about it moving forward, but this would not have needed Mr L's involvement and he could have moved on with his life and work. In the circumstances, the current salvage value of Mr L's van does not change my view that Covea should settle his claim by paying the further amount set out in my provisional decision, which is based on

what I believe to be the correct market value of Mr L's van at the time it was originally damaged.

I've also noted what Covea has said about the level of compensation I think is appropriate for distress and inconvenience. However, I do not think it fully appreciates the impact and complications its failure to settle Mr L's claim when it should have done had on him, or the knock-on effect it had on his life and work. For me, it was quite a straightforward matter for Covea to deal with. And, even when it eventually did settle the claim, it didn't do it properly and paid a lot less than it should have done. So, I remain satisfied the overall level of compensation I suggested in my provisional decision is appropriate.

I have of course also noted what Mr L has said in response to my provisional decision. And his concerns about the financial implications for him of the late and in appropriate settlement of his claim. It is good to hear that the finance company has told Mr L it hasn't added any further interest and charges. However, if this is the case, it is hard to see why the settlement amount it quoted in May 2023 was higher than the settlement amount it quoted in November 2023. So, I think the best way to make sure Mr L doesn't lose out is for Covea to contact the finance company and establish why these two amounts were different. And, if it is due to any additional charges or interest being added, it should pay the finance company what is needed to cover these. In addition to this it will need to pay the £4,835 I set out in my provisional decision to the finance company as an additional amount in settlement of Mr L's claim. The damaged van will then become Covea's possession, and it will need to arrange for it to be disposed of.

If there is anything left on the finance after the payments by Covea, clearing it will be Mr L's responsibility. If the payments by Covea clear the finance and there is anything left over, this should be paid directly to Mr L.

Mr L has set out in his response to my provisional decision what he thinks his losses are. But, if this is correct, I do not believe they flow from Covea's poor handling of his claim. And I should specifically say that the hire charges he has mentioned should be claimable from the third-party insurer. But, if for some reason Mr L isn't able to claim all of these back, he can raise the issue with Covea and complain if he is not happy with its response.

### **Putting things right**

For the reasons set out above and in my provisional decision, I've decided to uphold Mr L's complaint and make Covea do the following:

- Contact the finance company and check whether any additional charges and interest have been added to the finance amount since Mr L made his claim. If they have, pay whatever the total amount of these is to the finance company.
- Pay a further £4,835 in settlement of Mr L's claim. This should be paid to the finance company. But if it clears the finance, any balance left should be paid directly to Mr L.
- Pay Mr L a total of £1,000 in compensation for distress and inconvenience, less whatever it has already paid him for this.

Covea must pay the compensation within 28 days of the date on which we tell it Mr L 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.

**My final decision**

I uphold Mr L's complaint about Covea Insurance Company plc and require it to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 21 April 2025.

Robert Short  
**Ombudsman**