

The complaint

Mr R complains about the way U K Insurance Limited ('UKI') handled a claim he made under his motor insurance policy.

What happened

The following is intended as a summary of key events only, as the background to this complaint is well known to both parties.

Mr R held a motor insurance policy underwritten by UKI which insured his Motability vehicle. He contacted them in February 2024 after being involved in a road traffic accident. UKI accepted the claim and started repairs on Mr R's vehicle.

Unfortunately, the repair process took a long time to be completed, and Mr R was unhappy with the quality of the repairs, and the car needed to be returned for rectification work on several occasions. Mr R remained unhappy with the quality of the repairs and the condition of his vehicle when it was returned to him each time – so an independent motor engineer was instructed to give their opinion on the outstanding issues. Following this, they identified that more rectification works were required.

At this stage, as the repair process had taken over six-months to complete with no conclusion in sight, Mr R arranged with Motability to end his agreement and take out a new vehicle from them, and his previous vehicle was returned to Motability. Mr R says that he had to pay for another advanced payment and optional extras to be included in his new vehicle that had previously been included as standard, so this caused him a financial loss. Unhappy with how UKI had handled the process, he raised a complaint.

UKI considered the complaint and upheld it in relation to their handling of the claim and subsequent complaint. They said they recognised that Mr R had spent a lot of his own time on various telephone calls and emails chasing the repairs and rectification as well as the progression of the complaint resolution. And they agreed that their communication fell below the level expected, so they made an award of £1,000 compensation. But in relation to Mr R's claimed financial losses – they said these wouldn't be covered under the policy. Mr R remained unhappy with UKI's response to this complaint, so he brought it to this Service.

I issued a provisional decision of this complaint in June 2025, and I said the following:

"I should explain that I won't be repeating the entirety of the complaint history here in my decision or commenting on every point raised. Instead, I've focussed on what I consider to be the key points that I need to think about in order to reach a fair and reasonable conclusion. This reflects the informal nature of this Service and our key function; to resolve disputes quickly, and with minimum formality. However, I want to assure both parties I've read and considered everything provided."

The crux of this complaint is down to whether UKI should reimburse Mr R's financial losses he says he incurred due to their handling of his vehicle repairs, as well as what amount of compensation for the inconvenience caused. I can see UKI have

confirmed that their service fell short and that they recognised the repair process took far too long, with numerous mistakes and poor-quality issues. This means I don't need to make an extended finding on whether or not UKI did something wrong. Instead, I need to think about what the impact was to Mr R and whether UKI did enough to put things right.

When considering this complaint, I have taken into account the relevant law and regulations, regulator's rules, guidance and standards and codes of practice as well as DISP 3.6.1R – which is to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case.

I can see that UKI's main point is that any optional extras wouldn't be covered under Mr R's policy as it was ultimately his choice to terminate his lease early. But this is not the relevant test I need to consider in this complaint. Instead, I think the costs incurred would be considered a consequential loss. When thinking about whether an insurer is liable for any consequential losses because of something they did wrong, I need to ask the following questions:

- 1. Is the loss a direct result of what went wrong?*
- 2. Is the loss reasonably foreseeable?*
- 3. Were reasonable steps taken to mitigate the loss?*

In relation to question 1, I find that the loss was a direct result of UKI's handling of the repair process. Based on the available evidence and testimony, I'm persuaded Mr R only took out a new vehicle due to UKI's actions. And I say this as the vehicle was only three months old (under a three-year lease) when the accident occurred. So, taking out a new vehicle likely wouldn't have ever been a consideration for Mr R had UKI correctly repaired his vehicle.

In relation to question 2, I find that this was reasonably foreseeable. While I acknowledge that Mr R's choice to replace his vehicle following a very long repair process which fell below his reasonable expectations was his own, this doesn't mean it was inherently unreasonable. And I think the choice was one of a type that could be reasonably expected in this particular situation. I say this in part given the importance a person using the Motability scheme places on the safety and suitability of the vehicle they operate.

Finally, in relation to question 3, I find that Mr R took reasonable steps to mitigate the loss. The choice to replace the vehicle came at the end of a very long and drawn-out repair process. And I think that, given his overall concerns of accepting the vehicle back and the repair delays and additional damage caused, his actions would fairly be considered reasonable.

It follows that, in all the circumstances of this particular complaint, I'm satisfied Mr R's incurred costs were the result of UKI providing a poor repair process which led him to end his agreement early and take out a new vehicle. As such, I think UKI should reimburse these costs.

What was the impact

In terms of the financial impact to him, Mr R has explained his losses as being the difference between what he paid for the first car, and the additional costs to incur to replace it with the same model with the same features. Mr R provided breakdowns, and my own analysis of his figures produces the following:

- **Total paid for first Motability car: £6,295**
- **Total paid for second Motability car (including extras): £10,895**
- **Total incentives received: £2,000**
- **Refund of deposit from first car: £5,138**
- **Total extra spend on new vehicle; £3,757**

I'm satisfied that the second advanced payment is a loss that wouldn't have occurred at all had UKI properly fixed Mr R's vehicle – so it follows that they should refund this. In respect of the optional extras, I understand these were included as standard on his damaged vehicle, but Mr R explained he had to pay for them in order to obtain a like-for-like vehicle to put him in the same position he was prior to the loss. I find this to be fair in the circumstances as this would not constitute betterment. So, UKI should pay for this loss, totalling £3,757. UKI should add 8% to the figure from the date it was paid to the date of the refund they make.

In respect of the impact Mr R has says he suffered as a result of UKI's actions - I've thought about this situation very carefully and I've considered the relevant testimony and evidence. I haven't detailed everything here, given its personal nature, and the fact that both Mr R and UKI will be aware of these issues already.

But as I explained previously, I'm mindful of the considerable importance Mr R would have placed on having a suitable and functional vehicle to use. And I think Mr R suffered distress and inconvenience as a result of this matter. He had to spend a lot of time dealing with the repair process and the vehicle was returned on several occasions with further issues.

In terms of making a compensation award, it's important to note that this Service doesn't punish or fine a business. A compensation award is intended to reflect the impact a business's actions had on their customer. I can see UKI have already offered a compensation payment of £1,000 for distress and inconvenience. So, I need to think about whether that's enough compensation to reflect the impact on Mr R of Admiral's actions.

I've weighed up Mr R's testimony, the available evidence, and the duration of the process. Overall, I think the sum already awarded is fair and reflects the impact UKI's actions had on Mr R. I appreciate this may not be the level of compensation Mr R might have hoped for, and it may not ultimately change matters for him, given his larger concerns over the claim process itself, including UKI's adherence to relevant industry guidelines and standards. But I consider it to be in line with the level of compensation appropriate to these issues, and I'm satisfied this produces a fair and reasonable outcome in this particular complaint."

I said I intended to uphold the complaint in part and if I did, would require UKI to pay Mr R £3,757 for financial losses incurred, as well as 8% simple interest from the date it was paid until it is refunded. But I felt the compensation of £1,000 was fair in the circumstances so I didn't think UKI needed to increase this. I invited both parties to respond to my provisional findings.

Mr R responded and said he was satisfied with the conclusions I had reached. But UKI replied and said they disagreed. Their main points were that:

- They were not provided with an opportunity to resolve the issues and Mr R had ended his lease early before allowing them to assist further.
- They'd contacted Mr R in August 2024 to request images of the vehicle and contacted the repair to deal with the outstanding concerns.

- Mr R was in hire throughout the whole process, so mobility was not an issue.
- There were no safety issues with the vehicle.
- The optional extras purchased were non-refundable.

As both parties have now responded to my provisional findings, I will set out my final decision below.

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've considered UKI's response to my provisional findings, but having done so, I've not been persuaded to reach a different outcome than I did previously – I'll explain why.

UKI's main reply to my findings was that they were not provided with an opportunity to resolve the issues, and Mr R had ended his lease early before allowing them to assist further. As I said in my provisional findings, I can see that the repair process took far longer than what I would consider to be normal, and the vehicle had to be returned on numerous occasions. UKI also acknowledge that there were numerous service failings in terms of communication and claim journey. I can see Mr R was in contact with UKI throughout the process and had let them know of his dissatisfaction. So, I think UKI could have taken more proactive steps early on to avoid further problems, and this could have included using a different repairer. So, I don't agree that they weren't given the chance to fix things.

Additionally, while I note UKI says there were no safety issues with the vehicle, and Mr R had been provided with a replacement hire vehicle, Mr R's testimony is that the replacement vehicle was too small for his wheelchair and the boot lid was too high for him to lift his wheelchair in and out without hurting his back and aggravating his spinal cord injury. So, in the context of the complaint as a whole, I can appreciate why Mr R wanted to conclude the repair process and be able to use a suitable vehicle for his needs again.

As I said in my provisional findings, I think this would have been an important consideration for Mr W given his disabilities and the underlying need for the Motability vehicle. So, I don't agree that a replacement hire vehicle being provided means Mr W acted unreasonably or that this meant it was acceptable for repairs to be ongoing. I can see Mr W raised his mobility concerns to UKI in May 2025, and yet there were still issues with his own vehicle in August 2024.

I remain satisfied that Mr W placed considerable importance on having a suitable and functional vehicle to use. And I'm persuaded that the second advance payment and additional costs with ensuring a like-for-like vehicle was provided is a loss that wouldn't have occurred at all had UKI properly fixed Mr R's vehicle – so it follows that they should refund this. I've noted UKI's points on the vehicle's optional extras, but as I explained in my provisional decision, I understand these were included as standard on his damaged vehicle, but Mr R had to pay for them in order to obtain a like-for-like vehicle to put him in the same position he was prior to the loss. I find this to be fair in the circumstances, and I set out why I consider this to be reasonable in the context of a consequential loss claim. Ultimately, I'm satisfied that my decision produces a fair and reasonable outcome to this particular complaint, in line with my duty under DISP 3.6.1.

My final decision

For the reasons given, my final decision is that I uphold this complaint in part and direct U K Insurance Limited to:

- Pay Mr R £3,757 for financial losses incurred;
- They should add 8% simple interest to this sum from the date it was paid until it is refunded;
- Pay £1,000 compensation (less any sum already raised)

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 22 July 2025.

Stephen Howard
Ombudsman