DRN-5695550

## The complaint

Mr W complains about how HCC International Insurance Company Plc trading as Tokio Marine HCC ("HCC") handled a claim under his caravan insurance policy.

## What happened

Mr W held a caravan holiday homes / chalets and leisure lodge insurance policy, provided by HCC. The policy covered the structure plus £1,200 for contents, with the maximum amount payable being £60,585. This was insured on a new for old basis.

Mr W had bought the caravan under a hire purchase agreement, which said the finance provider owned the goods until Mr W had paid all the amounts payable under the agreement. He hadn't yet done so at the time of loss.

Mr W's caravan was destroyed in a fire on 5 January 2024, and it was deemed a total loss. HCC settled the claim based on the market value with the finance provider, as it considered them the legal owner of the caravan based on the hire purchase agreement. The agreement also entitled the finance provider to collect monies from, as well as negotiate and effect any settlement with, the insurer. So, HCC said it was entitled to settle the claim with the finance provider, which had accepted its offer based on the market value. The finance provider retained the amount Mr W owed under the agreement, and the remainder was paid to Mr W.

Mr W wasn't happy with this, as his policy insured him on a new for old basis, and he can't buy a new caravan with the settlement amount. The total settlement was £30,000 and Mr W has shown that new caravans at the same park sell for around £60,000 (inclusive of pitch fees and insurance). He also wasn't happy with how long HCC took to consider the claim, and that it didn't keep him involved in the claim process.

One of our investigators looked into what had happened. Having done so, she thought there were some avoidable delays during the claim process, and she said HCC should pay Mr W £150 to compensate him for the unnecessary distress and inconvenience. The investigator also thought HCC should have also explained better why it was discussing the settlement with the finance provider. But overall, she didn't think HCC did anything wrong in the way it settled the claim.

HCC accepted the outcome and paid the recommended compensation. Mr W, however, didn't agree with the investigator's findings. As no agreement was reached, the complaint was passed to me to decide. I issued my provisional decision on 1 July 2025. Here's what I said:

*"Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must handle claims fairly and shouldn't unreasonably reject a claim. Insurers must also handle claims promptly and should provide reasonable information about the progress of a claim. I've taken these rules, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of Mr W's complaint.*

*The insurance policy terms say the following:*

> *"If you have chosen and paid for new for old cover, in the event of an insured loss or damage to any structure, the insurer will pay the full cost of repair or replacement (at their discretion) without any deduction for age, depreciation or wear and tear provided that:*
>
> - *An actual repair or replacement takes place […]*
>
> *If any of the above are not met then cover will revert to market value. […]*
>
> *If the structure is subject to a hire purchase agreement, you must notify the insurer prior to any claims payment being made. The insurer may choose to pay the claim amount to the hire purchase company."*

*Definition of "new for old" is as follows:*

> *"The cost of a new replacement of the lost or damaged item, or the nearest equivalent. All cash settlements will be on a market value basis only."*

*And the hire purchase agreement has the following terms:*

> *"You will become the owner of the goods only after we have received all amounts payable under this Agreement including under Clauses 2 and 14. Until then the goods remain our property.*
>
> *[…]*
>
> *You irrevocably authorise us to collect the monies from the insurers. If a claim is made against the insurers we may at our absolute discretion conduct any negotiations and effect any settlement with the insurers and you agree to abide by such settlement with the insurers."*

*HCC only discussed the settlement with the finance provider, as it said this was in line with the hire purchase agreement terms Mr W had agreed to. However, HCC also needed to treat Mr W fairly and reasonably as he was the policyholder. I don't think it was fair or reasonable for HCC to exclude Mr W from the settlement negotiations and only discuss these with the finance provider.*

*The crucial issue here is if HCC should have provided Mr W with a replacement caravan, in line with the policy terms. It has said it couldn't do that, as Mr W hadn't paid the pitch fee for the following year. But I think HCC should have discussed this with Mr W and given him an opportunity to pay the pitch fee. I've considered what's most likely to have happened, had HCC done so.*

*The caravan park had written to Mr W in December 2023 about the pitch fee for the following year. To reserve a pitch, Mr W needed to pay a deposit of £375 by 31 December 2023. He didn't do so or contact the caravan park about this. I appreciate the full pitch fee wasn't due until 1 April 2024, but if Mr W intended to reserve a pitch for the following year, I would've expected him to either pay the deposit to reserve a pitch or let the caravan park know he'd be making the payment late. However, he did neither.*

*I can also see that Mr W had fallen behind on the hire purchase agreement already in 2020 (the agreement started in August 2019), with monthly payments of £340 at the time. The finance provider eventually sought a county court judgement against Mr W due to failing to comply with the terms of the agreement. An order was suspended on the condition that Mr W repaid the outstanding balance of around £11,000 in 20 monthly instalments of £520. If Mr W failed to fulfil this, it was ordered that he needed to return his caravan to the finance provider. It's my understanding that Mr W kept up with these payments.*

*However, it's clear that Mr W had struggled to make payments under his hire purchase agreement, even with a lower monthly amount. And the full pitch fee of £3,900 was due on 1 April 2024. So, I think it's likely he would have struggled to maintain these payments to keep fulfilling the conditions of the suspension in the court order.*

*It's also my understanding that the relationship between Mr W and the caravan park was strained, with the caravan park offering to buy him out in March 2022. And I can see that in June 2024, Mr W asked to receive a settlement on his claim, rather than a new caravan.*

*I appreciate Mr W now says he would have chosen a new caravan instead of a cash settlement. But based on what I've seen so far, I'm not satisfied he would have chosen this option, even if HCC had offered it to him at the time, for the reasons I've explained above.*

*Mr W has sent bank statements to show he was in a better financial position from January 2024 onwards. However, these bank statements are for his partner's savings account marked "kids". There are no regular payments such as salary or benefit payments made into the account, and no bills are paid from the account. I'm not satisfied Mr W would have used these funds towards the outstanding amount on his hire purchase agreement. He would have needed to maintain these payments, and pay the full pitch fee by 1 April 2024, if HCC paid for a replacement caravan.*

*So, whilst I think HCC caused Mr W unnecessary distress and inconvenience when it excluded him from the settlement negotiations, I'm not satisfied this has led to a financial loss, as I'm persuaded that Mr W would have chosen a cash settlement if given the option.*

*I've then considered if HCC calculated the cash settlement fairly. The policy terms say this is done on market value basis.*

*HCC used an industry valuation guide which gave a retail transaction value as £18,525 but it rounded this up to £19,000. This was for the same make and model of Mr W's caravan. HCC also added transport and siting costs of £6,000, cost of decking that Mr W had purchased for £1,500 and £1,200 for contents (which was the maximum amount covered under the policy). This came to £27,700 but HCC rounded this up to £30,000 less the excess of £50. HCC also paid for the removal of debris from the site.*

*I'm satisfied that HCC has offered a fair market value settlement on Mr W's claim. I understand Mr W also had a shed, which isn't specifically included in the above calculation. But I think it's unlikely the shed cost more than the additional 'rounding up' amount HCC added on the settlement. Mr W is welcome to send evidence to contradict this in response to my provisional decision, if he wishes to do so.*

*It's clear that the claim took longer than it should have. But I also accept that HCC needed to carry out investigations into the claim, as it related to arson. HCC made an offer of settlement on 25 June 2024 which the finance provider accepted on 12 September 2024. I understand Mr W received the amount he was due in November 2024. I appreciate some of these delays were due to the finance provider but had HCC included Mr W in the settlement negotiations from the start, I'm satisfied these would likely have been concluded much sooner.*

*Considering the delays, and the frustration HCC caused Mr W when it didn't include him in the settlement negotiations, I think it should pay him a total of £600 for the distress and inconvenience caused (inclusive of the £150 already paid)."*

HCC agreed with my provisional decision and said it had nothing further to add. However, Mr W didn't agree. I've summarised his key points below:

- He never made a claim. This was done without his permission, and HCC never involved him in the claim. He wanted a new caravan instead of money, and he made this clear to the insurer and the caravan park. Instead, he was told a decision had already been made without any consultation with him.

- He was bullied off the caravan park, and they weren't letting him back. The caravan park said he couldn't keep his pitch; they gave his pitch away and never offered him an alternative.

- He is still together with his partner. And the caravan was for the children, which explains the name of the savings account. This was money put aside to pay for things for the kids such as ground rent and holidays.

- He usually paid the site fee deposit in January, and the rest in April. This had never been a problem.

- The payout received wasn't reflective of the value of his "new for old" policy. And he had to keep making payments under the hire purchase agreement for several months after the incident.

- Mr W sent evidence that when he bought the caravan, in addition to the caravan itself he also paid for "removable fixtures and fittings", a shed and delivery totalling £8,312.11.

I'm satisfied both parties have now had the opportunity to review my provisional decision and provide evidence. And the deadline to do so has now passed. So, I'm issuing my final 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.

Firstly, I had referred to Mr W's partner as "ex-partner" in my provisional decision. I have now amended this to say "partner" instead.

Mr W has said that he's waiting for bank statements that he wishes to provide to outline all payments made to the caravan park and how those payments were made. However, after reviewing the information provided so far, I don't think these will have any bearing on the outcome. And in any event, I'm happy to accept that Mr W didn't previously pay the deposits for site fees in December. I also accept that he was keeping up with the payments under his hire purchase agreement.

The key issue is if I think HCC should have provided Mr W with a new caravan, instead of a cash settlement. Having considered the further evidence, I'm even more persuaded that it's unlikely this could have happened, even if HCC had involved Mr W in the claim process.

I say this because Mr W has said that the caravan park gave his pitch away, and it wouldn't let him back or give him an alternative caravan. I already recognised in my provisional decision that it was my understanding that the relationship between Mr W and the caravan park was strained. Additionally, I haven't seen evidence to show that Mr W asked for the caravan park to hold a site for him, or that he made any payments towards the site fee. Mr W also asked for a settlement on his claim in June 2024, rather than a new caravan. So, considering everything Mr W has said, I think it's unlikely HCC would have been able to provide him a new caravan.

Mr W has said that he never made the claim or gave permission for this. But I can see that he authorised a loss assessor to handle the insurance claim on his behalf on 12 January 2024. The finance provider also had an interest in the claim as Mr W still owed money under the contract. Without a claim being raised, Mr W would have needed to continue make payments under the agreement without a settlement.

Overall, I'm not satisfied HCC would have been able to provide Mr W a new caravan, for the reasons I've set out above and in my provisional decision. So, I think it acted fairly and reasonably by offering a cash settlement instead.

I've had another look at the cash settlement. The market value for the caravan was £18,525. HCC also added other costs, and rounded the amounts, with the final settlement being £30,000. This included £1,200 for contents. Mr W has shown that the other costs totalled £8,312.11 when he bought the caravan. So, when adding this, the market value of the caravan and contents, this amounts to less than what HCC paid to settle the claim. It's not clear if the "removable fixtures and fittings" included £1,500 for decking. But even if it didn't, the total amount is still less than HCC's settlement amount. So, I still think the settlement offer was fair and reasonable.

It's clear that when HCC excluded Mr W from the settlement negotiations, this was distressing for him. I accepted in my provisional decision that HCC shouldn't have done so. And this was why I said HCC needs to pay him compensation for the distress and inconvenience it caused by doing so. But for the reasons I've explained in this decision, I don't think this means HCC needs to pay Mr W any further amounts to settle the claim.

Mr W's financial obligations under his hire purchase agreement are separate to his insurance policy and claim with HCC. So, this isn't something I can make a finding on. But Mr W has said that he should be refunded the amounts he continued to pay under this agreement. However, the finance provider should have paid Mr W the difference between what was owed under the agreement and the insurance claim settlement amount. This would have taken into account any payments he made up until then. If this wasn't done, Mr W should raise this with the finance provider.

## My final decision

My final decision is that I uphold Mr W's complaint in part and direct HCC International Insurance Company Plc trading as Tokio Marine HCC to pay him a total of £600 for the distress and inconvenience caused (inclusive of the £150 already paid).

*HCC must pay the compensation within 28 days of the date on which we tell it Mr W 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% simple per annum.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 August 2025.

Renja Anderson
**Ombudsman**