

The complaint

Mr C is complaining about the amount UKI has paid to settle a claim he made against insurance policy.

What happened

Mr C leased a car on a hire agreement. His car was stolen so he claimed for the loss on his car insurance policy. Mr C said UKI's engineer told him he'd calculated its pre-accident market value, and as there was finance on the car, the finance company would have to be asked for its settlement figure. Mr C said he expected to be paid the difference of around £3,500 less the excess.

UKI settled the claim for the car with the finance company that owned the car. It also paid Mr C £649, which was a proportion of the deposit he'd paid the finance company at the outset of his agreement less the policy excess. However, Mr C was dissatisfied with the settlement he received. He said as the market value was much more than what UKI paid the finance company, he should be given the difference. So, Mr C complained to UKI.

UKI's decision remained unchanged, it said the settlement was in line with the policy terms. However, UKI acknowledged that it could've been clearer in explaining why it paid what it did and this caused Mr C some frustration, so they paid a total of £150 compensation.

As Mr C remained unhappy, he bought his complaint to this Service.

Our investigator didn't uphold the complaint. He thought UKI acted fairly and in line with the policy terms and conditions, and agreed the compensation was reasonable so didn't recommend it do anything further.

Mr C didn't agree. He provided a detailed response, but, in summary he said:

- He had been given the option to buy the car at the end of the lease in November 2025.
- The policy provides for the market value to be paid.
- The amount due to him is the difference between the market value and write down value, and there is no basis for the way UKI has calculated the settlement amount paid to him.

So, the case has been passed to me to make 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.

I've decided to not uphold this complaint and I'll now explain why.

Firstly, I acknowledge I've summarised Mr C's complaint in less detail than he's set out. Our rules as an informal dispute resolution Service allows me to do that. I assure Mr C and UKI

that I have read and considered everything all parties have provided. However, my decision focuses on what I consider to be the key issues.

I've looked at what the policy terms and conditions say:

"If you're leasing your car or buying on hire purchase

If your car can't be repaired and you're leasing it, we'll pay any claims to the lease company, because they are the legal owners of the car.

If your car can't be repaired and you're buying it on hire purchase or a similar agreement, we'll pay any claims to the legal owner. We'll only pay any remaining balance to you if you have the option to become the full owner at the end of the agreement".

Mr C says under the policy terms he should have been paid the difference of the market value and the amount needed to settle the finance agreement, as he was entitled to become the owner at the end of the lease agreement. UKI says Mr C's car was leased and the letter confirming an option to buy wasn't provided until three months after the claim. Having looked at the original letter from Volkswagen, it confirms the 'leasing agreement' over a period of three years and Mr C's agreement to pay a deposit plus 35 monthly payments. The letter reminded Mr C *"that the vehicle ownership remains with Volkswagen Financial Services throughout the duration of your agreement"*. So I don't agree with Mr C's comments, that his leasing agreement gave him the contractual right to become the full owner at the end of the agreement.

I appreciate Mr C has said he always intended on buying the car at the end of the agreement, as he has had the option in the past to buy the car, and says he's been deprived of the right to buy it following the theft. But while Mr C might have been given the opportunity to buy other cars at the end of previous leases, that wasn't something his lease entitled him to do. I've considered the letter Mr C has provided following his claim, confirming that he could extend the lease or purchase the car in the last three months of the agreement period. This wouldn't have been under the terms of the existing hire agreement, but any purchase and sale would've been under a new agreement. The option to extend the lease or sell the vehicle to Mr C is something the lease company has chosen to offer at its discretion. But it wasn't an entitlement under the terms of Mr C's lease. So I think UKI acted reasonably in treating Mr C as having no ownership rights and settling his claim with the lease company in line with the terms and conditions of his policy, as the lease company was the car's legal owner.

UKI have acknowledged that they could've been clearer in explaining how they calculated the settlement. It's confirmed that it calculated a refund of a proportionate amount of the deposit based on how long was still remaining on Mr C's lease agreement when the car was stolen. I think this is fair and reasonable for UKI to have provided this, as when a consumer takes out a lease agreement, they will often pay a substantial deposit at the start of the agreement which reduces the monthly rentals they would pay over the term of the agreement. If a contract is ended early a consumer will in effect lose out on the full benefit of their deposit. By UKI providing a refund on a proportionate basis, ensures that Mr C hasn't lost out by paying a deposit at the outset and having it cut short. I'm satisfied UKI have been fair.

I accept UKI did cause some unnecessary distress and inconvenience in the way it handled Mr C's claim. It acknowledged it could've explained the settlement amount to Mr C more clearly. However, having considered everything, I'm satisfied its already paid £150 which I

consider is fair compensation for the impact of its poor claim handling. I'm not awarding anything more.

My final decision

For the reasons given above, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 December 2025.

Lorraine Ball
Ombudsman