

The complaint

Miss H is complaining about the way U K Insurance Limited handled a claim she made against her car insurance policy. In particular, she's unhappy it didn't provide her with a new car replacement ('NCR').

What happened

In March 2024 Miss H was involved in an accident with a third party's vehicle. So she contacted UKI to claim for the damage to her car against her car insurance policy. UKI said it would settle the claim by paying her the car's market value, less her excess of £300. And it paid her £34,281.

Miss H later learned that UKI should have provided her with a NCR under the policy. So UKI said it would pay her an extra £6,606.36 as it said this is the extra amount it would have had to pay to source her a new car.

Miss H complained to UKI as she said she'd had to buy a used car, but she could have been given a new one by UKI. She also said UKI had taken the hire car away, so had suffered an inconvenience from not having access to a car.

Following this, UKI also agreed to refund the delivery fee Miss H paid to replace her car. And it paid her £600 in compensation. Miss H didn't think this resolved her complaint, so she referred it to this Service.

UKI later contacted this Service to make a new offer to resolve the complaint. It said it had reviewed the new car pricing model for Miss H's car's make, model and specification and it considered the replacement cost at the time to have been £45,520. It said it had already paid £42,187.35, leaving a difference of £3,332.65. However, it said Miss H had received £1,176.84 from her GAP insurer in addition to what it had paid. So it said it would pay her an additional £2,155.81. It also said it would pay her 8% simple interest on this settlement.

Miss H still didn't think UKI's later settlement offer was fair. She said she'd have to pay the latest prices to get a NCR and these prices had increased. She said the current replacement cost was £46,370. So she said this is what she would have to pay as a minimum to get what UKI should have provided at the time. And she highlighted she'd placed an order for a new car in March 2024 at a cost of £46,940, but she said she had to cancel that because of the lead time for delivery. And she thought UKI should increase the amount it had paid to £46,940.

Our Investigator thought UKI's settlement offer was fair. He thought UKI had said it would pay how much it would have cost Miss H at the time to replace the car. And he said paying 8% simple interest would cover any inflationary costs. So he didn't think it needed to pay her more than that.

Miss H didn't agree with the Investigator. She reiterated that she'd placed an order for a new car and she would have had to pay £46,940 for that. She also provided an email from a salesperson at the manufacturing dealership who said that to buy a car in 2024, she'd have

to pay the 2025 prices, which was £46,370. She also didn't think it was fair UKI was deducting the full amount of the GAP insurance payment as part of that payment was to pay the excess, which she didn't think she should have to pay.

The Investigator still thought UKI's settlement offer was fair. So, as Miss H didn't agree with the Investigator, the complaint's been passed to me to decide.

Since then, I wrote to both parties setting out I intended to award slightly different redress and I said the following:

"I don't intend to require Miss H to have to refund the amount she received from her GAP insurance provider, but I think it can deduct the amount she received from the GAP insurance from its claim settlement. However, I can see from the policy wording that the GAP insurance policy was transferrable to a new vehicle where it's provided by an insurer following a total loss claim. So, had UKI provided Miss H with a new car replacement, she wouldn't have had to buy a new GAP insurance policy that she's advised she did. So I intend to also require UKI to refund the amount Miss H paid for the new GAP insurance policy – subject to her providing UKI with proof of purchase – plus 8% simple interest.

Miss H has also highlighted she took out tyre and cosmetic damage policies. But the terms of these policies set out those policies weren't transferable. So this was a loss she always would have incurred even if UKI had provided the new car replacement. So I'm not intending on requiring UKI to refund these amounts."

UKI accepted what I said and Miss H said she could show she'd paid for the replacement policies.

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 uphold this complaint and I'll now explain why.

All parties accept that UKI should have provided Miss H with a NCR. So I don't need to comment further on this, other than to say I agree. The issue for me to decide is whether I think UKI needs to do more to put things right.

UKI initially sought to cap its liability to the price it would have paid to replace the car. But that wasn't fair. UKI didn't provide her with a replacement car, so Miss H has to do this herself. And she has to pay market prices. UKI has since accepted this, but says it has to pay the price set out on the 2024 pricing model. I think that has to be fair.

I've considered the email Miss H has provided, but I don't think I can reasonably require UKI to pay for a 2025 model on 2025 prices when the NCR cover was to replace the car with one of the same make, model and specification as of when her original car was written off. I recognise what the salesperson has said, but I can't reasonably require UKI to have to pay for a 2025 model of vehicle. And I'm satisfied that £45,520 is most likely to be a fair equivalent for the price of the equivalent car.

I also recognise Miss H had placed an order for a new car and was going to pay £46,940 for that. But, by her own admission, I understand this had some additional options to what her original car had. While I also recognise she didn't ask for these – they came as part of the vehicle itself – I don't think it was a like for like vehicle. So, I don't think I can reasonably require UKI to pay more than it's said it would, given it's based the settlement on the

manufacturer's 2024 pricing matrix.

Miss H has also said it's unfair to deduct the full amount she received from the GAP settlement as she said part of this was to pay the excess which she doesn't feel she should have to pay given she wasn't at fault for the accident. But the excess is the first part of any claim and has to be paid regardless of who caused the loss. Miss H may be able to recover this from the third party's insurer, but I can't reasonably require UKI to waive this.

Ultimately, I'm satisfied UKI's settlement offer is to pay the reasonable cost of a like-for-like NCR, less her excess of £300. So I don't think it needs to pay more than this for the claim settlement.

However, as I set out previously, I think UKI should refund the amount Miss H paid for the replacement GAP insurance policy. But it can reasonably ask her to show she'd paid for this.

Miss H has also complained the hire car was taken away from her which she doesn't think would have happened had she been given a NCR. But the policy only provided her with a hire car of up to 21 days. So, even if UKI did arrange a NCR, it would have contractually only had to provide a hire car for the time Miss H would have had to wait for it to be delivered.

Finally, I recognise UKI's error has caused Miss H a lot of distress and inconvenience. But it's already paid her £600 in compensation for this. This is in line with what I would have awarded, so I think it's fair.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require U K Insurance Limited to do the following to put things right, if it hasn't already done so:

1. Pay Miss H an additional £2,155.81 to settle the claim;
2. Pay 8% simple interest per year on the above from when it paid the original settlement until it pays the £2,155.81*;
3. Refund the amount Miss H paid to buy a replacement GAP insurance policy;
4. Pay 8% simple interest per year on the above, from when Miss H paid it until she gets it back*; and
5. Pay Miss H £600 in compensation for the distress and inconvenience it caused if it hasn't already done so

* If U K Insurance Limited thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss H how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 28 November 2025.

Guy Mitchell

Ombudsman