

The complaint

Mr W has complained that HCC International Insurance Company Plc (HCC) hasn't provided a fair settlement for a claim he made under his caravan insurance policy.

All reference to the insurer HCC in my decision includes its agents.

What happened

Mr W reported water damage to his caravan in October 2022 to the insurer, HCC. HCC declined the claim by applying an exclusion under the policy.

Mr W brought his complaint about HCC's decision to this service. I issued a final decision on that complaint in May 2024 and I upheld it. I required HCC to settle Mr W's claim under the remaining terms and conditions of his policy. Any cash settlement should be paid with interest at a rate of 8% simple interest from a month after the claim until the date of payment. Compensation of £350 was awarded and interest to apply in line with the dates in my decision.

HCC made a cash settlement offer to Mr W in lieu of repairs for £15,000. As Mr W's caravan had been disposed of in May 2023, it was no longer available for inspection. So HCC based the cash settlement on the appointed Loss Adjuster (LA)'s initial reserve of £10,000 in January 2023, with an additional £5,000 to take into account possible further unseen damage.

Mr W said the cash offer wasn't reasonable. He said the LA told him his caravan wasn't repairable. Mr W provided a letter from a caravan sales agent which said his caravan was beyond economical repair. Mr W wanted HCC to settle his claim as 'new for old' under his policy. He said the water damage meant the caravan had deteriorated and was rotten. By the time of my final decision in May 2024, Mr W says this was 19 months after the damage occurred. Mr W said he was pressured into agreeing to the disposal of the caravan by the site owner in May 2023.

One of our Investigators didn't recommend the complaint should be upheld. He found no evidence the LA told Mr W his caravan was deemed a total loss and not repairable. He didn't find the letter provided by the caravan sales agent to be persuasive as it provided no evidence of inspection of the caravan or details of the estimated repair costs.

As the caravan had been disposed of, the Investigator thought HCC had reached its decision as to a suitable way to settle the claim in a reasonable way, on the advice from the LA. HCC had increased the settlement by £5,000 to allow for the possibility of further damage identified, which the Investigator deemed as fair.

Mr W didn't agree. He said if HCC had dealt with his claim promptly, he would have enjoyed the use of it following repair. So the case was passed to me to decide.

I issued two provisional decisions. In the first, I agreed that there wasn't evidence the LA told Mr W his caravan wasn't repairable. And I didn't find the information from the sales agent

clearly explained why Mr W's caravan wasn't economical to repair. But I intended to uphold the complaint and for HCC to deal with Mr W's claim under the 'new for old' term of the policy. I didn't find HCC had reasonably shown the offer of a cash settlement for repairs was fair. As the caravan had been disposed of, on balance, I thought the delay would have contributed to the worsening condition of the water damage to the caravan. So I didn't find HCC had put Mr W back in the position he would likely have been in had it promptly dealt with his claim.

But on receiving new material information from HCC, I issued a second provisional decision intending not to uphold the complaint. New information showed that Mr W's caravan had significant damage due to general deterioration before the EOW claim. SO I thought HCC's settlement was fair for incident related repairs.

HCC accepts my second provisional decision.

Mr W is unhappy with my second provisional decision. In summary he says HCC has made it difficult throughout his claim journey. He believes meeting his claim by paying 50% of the costs of a 'new for old' caravan under the terms of the policy would be a fair outcome.

So the case has been passed back to me to decide.

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.

The background is well known to both parties and has been set out in detail in my provisional decisions. In my first provisional decision, I thought HCC hadn't reasonably shown it had put Mr W back in the position he would have been had it promptly dealt with his claim. I intended to ask HCC to settle Mr W's claim under the 'new for old' term of the policy and pay compensation for the distress and inconvenience caused.

In response to my first provisional decision, HCC provided copy email exchanges between Mr W and the caravan site owner. These showed that it had highlighted its concerns as to the condition of Mr W's caravan before the EOW claim. We shared the information with Mr W to respond before reaching a second provisional decision.

The sales agent told the caravan site that the caravan was beyond economical repair. When the agent informed Mr W of his opinion, he didn't give reasons why. In my first provisional decision, I said I didn't find the letter from the sales agent to Mr W to be persuasive.

The same sales agent gave the caravan site owner reasons as to why they believed the caravan wasn't repairable. HCC provided a copy of the email dated 21 February 2023, following their inspection on 19 January 2023. The agent wrote;

"The offside & nearside wheels are very badly corroded.

The whole steel chassis is badly corroded & in places has actually dropped away & has been supported with a timber beam.

The front bay window area & offside front corner are badly water damaged causing the aluminium exterior panels to corrode & drop out of square.

Due to the age & general deterioration of the holiday home it is in my professional opinion that it is beyond economical repair & if it were to be moved it may possibly

collapse.”

This shows that the condition of Mr W's caravan was not solely caused by the insured event, as pre-existing damage was highlighted here. This was further supported by the email exchanges between the caravan site owner and Mr W before and after the EOW claim.

It was clear that the condition and age of Mr W's caravan, along with not paying site fees, played a significant factor in why his caravan was disposed of by the caravan site owner.

In my second provisional decision, I found that the general condition of Mr W's caravan which led to its disposal was not related to the EOW claim.

Mr W's policy with HCC says under the 'new for old' term that;

“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:...

- The structure or contents being claimed for are maintained in good repair before any loss or damage”*

And;

“If any of the above are not met then cover will revert to market value. Any settlement for household linen and clothing is always on a market value basis. If you request and we agree to a cash settlement this will be on a market value basis only.”

Under the term 'market value cover' HCC says;

“If you have chosen and paid for market value cover (or do not qualify for new for old cover), the insurer will take into account an allowance for age, wear and tear and depreciation in the settlement of a claim for repair or replacement. In the event your structure is damaged beyond repair, the amount you are likely to receive is the amount the property would be sold at on the open market in its condition prior to the damage occurring.”

“Precautions

You must take precautions and care:

- To keep your property in a good state of repair, and*

To avoid or limit any loss, damage, accident or injury”

The Insurer will not pay for:...

Damage from wear and tear, corrosion or gradual deterioration or depreciation

Or;

Existing damage - any loss, damage, injury or accident occurring before the commencement of the period of insurance”

From the email exchanges between Mr W and the caravan site owner, pre-existing damage unrelated to the incident meant there were safety concerns over moving the caravan and its

condition. There were clearly considerable maintenance issues which Mr W seemed to have been given the opportunity to deal with – and the opportunity to make his own arrangements for removal.

But this didn't happen. I cannot say they didn't happen because of the way HCC dealt with the claim. The reasons were not related to the way HCC handled the claim - and began before the insured event happened.

I therefore cannot agree with Mr W that if HCC had settled his claim sooner, he was less likely to have had the dispute he had with the caravan site owners and he would have enjoyed the use of the caravan either on this site, or another. The issues with the caravan site owner about the condition of the caravan began before the incident related damage occurred, and the chassis and wheel corrosion were pre-existing.

The incident related damage did not prevent Mr W from arranging removal of his caravan or paying the pitch fees. So it follows that I don't find HCC responsible for the disposal of his caravan.

I understand Mr W is very disappointed with the outcome of my second provisional decision. He says that any caravan will suffer corrosion in a coastal location. But that doesn't mean that HCC is responsible for covering damage caused by gradual deterioration or decline. Damage caused this way is clearly excluded under HCC's policy. Damage caused gradually or by wear and tear is commonly excluded under standard insurance policies.

I have taken an even handed approach to all of the information available to me. As I haven't received any new evidence following my second provisional decision, my final decision is the same. I find that HCC's cash settlement offer of £15,000 for incident related damage to be a fair outcome to this complaint. HCC based this figure on the LA's initial findings, and taking into account any further damage that may have been revealed during strip out works. This was the only reasonable remaining evidence available in deciding a fair settlement due to the caravan being disposed of.

My final decision

My final decision is that I find HCC's settlement of £15,000 as the cash equivalent costs of incident related repairs to be a reasonable resolution to the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 November 2025.

Geraldine Newbold
Ombudsman