

## **complaint**

Mr Y complains that Acromas Insurance Company Limited handled a claim he made under his motor insurance policy inappropriately.

## **background**

Mr Y made a claim after an object in the road from another vehicle impacted on the underside of his car. Acromas considered that the car's immediate engine failure was probably due to a snapped cam belt. Initially it arranged for a total loss settlement figure to be given to him, but almost immediately it then said that further investigation to confirm the cause of the failure was necessary. Following a second inspection of the car, it declined to deal with the claim, on the basis that the damage was due to wear and tear, which was not covered by the policy. Further inspections confirmed Acromas's original view.

Our adjudicator accepted that (based on the engineers' view) the claim would have failed, but in her opinion had Acromas declined to deal with it immediately, Mr Y would have taken his car back and repaired it. Instead, before any inspection took place, Acromas asked Mr Y to provide the vehicle's documents to it and to return the V5 registration form to the DVLA, transferring ownership to Acromas. Subsequently, with his permission it sold the car and gave Mr Y the proceeds of £125.

In the circumstances, the adjudicator considered that Mr Y had been prejudiced by Acromas's actions and that it should pay him the pre-incident market value of the car, minus the cost of a new engine and labour costs, plus compensation for loss of use and distress and inconvenience.

Acromas said that Mr Y had agreed to its offer to sell the car on his behalf. The adjudicator accepted Mr Y's view that, given what Acromas had told him, he felt he had no real option about whether or not to take the car back, and Acromas's admitted error in instructing him to send the V5 document to the DVLA was a significant factor in making that option untenable.

As there was no agreement, the complaint was passed to me for review.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I note that it was only on the fourth inspection of the car (some three months after the incident took place) that it was finally stripped down so a definite cause of the damage could be identified. The engineer's report indicates that wear and tear caused the problem (as Acromas had suspected from the outset) and Mr Y has produced no evidence to the contrary. Consequently, in my view Acromas could reasonably have rejected the claim at the outset and simply returned the car to Mr Y.

Acromas says Mr Y later refused to take the car back and agreed that Acromas should sell it on his behalf. Acromas provided us with a transcript of the telephone conversation with Mr Y during which returning the car to him or not was discussed. Acromas informed Mr Y that the DVLA would raise issues, as he no longer owned the car and it was not taxed or insured. It advised him that the DVLA would require him to repair the car before it could be taxed and queried whether he had somewhere to park it off-road. During the call, Acromas did not volunteer to sort out any difficulties with the DVLA, although it did offer to cover costs.

In my view, an average consumer is likely to have decided during this call that given the difficulties that were highlighted by Acromas (all of which were factual) the best option was to allow it to sell the car. Mr Y says he felt pressured into agreeing to it and it is clear from the transcript he was not happy about the situation in general and was particularly concerned about the sum he would receive for the car. In my opinion, Acromas did emphasise the drawbacks of handing the car back to him, but in my opinion that was not necessarily the wrong thing to do in the circumstances. Mr Y agreed to the sale, and the financial outcome for him was much worse than he could reasonably have anticipated, in my view. I consider that he would not have ended up in that position in the first place had Acromas not made errors in starting to deal with the claim and having the ownership of the car transferred.

I am satisfied that had Acromas initially returned the car to Mr Y, there would have been no problem with ownership and the car would have been repairable by him. Since the engine would have had to be replaced due to wear and tear, however, in my view it would not be reasonable for Acromas to pay the full pre-incident market value of the car. As Mr Y would have been able to carry out the work himself, labour charges should not be deducted.

Acromas did not determine the exact cause of the problem for three months, during which time Mr Y was without a vehicle when he would otherwise have been able to repair it. Acromas did accept that there had been some delay on its part and offered Mr Y £140 for loss of use. It also reimbursed him for a tank of petrol and a further £50 compensation. In my view, despite these gestures, Mr Y was substantially prejudiced by the way Acromas dealt with this matter. I am satisfied that he experienced considerable inconvenience and a substantial amount of confusion, frustration and upset as a result of Acromas's handling of the claim. I consider that a substantial increase in compensation is appropriate.

### **my final decision**

My final decision is that I uphold this complaint. I require Acromas Insurance Company Limited to do the following:

- Pay Mr Y the pre-incident market value for his vehicle, less the cost of the engine parts (as set out in the engineer's report) and the £125 salvage already paid
- Add interest to the sum above at 8% simple per annum, from the date of loss to the date of settlement
- Pay Mr Y £700 compensation (less the £190 already paid)

Susan Ewins  
**ombudsman**