

complaint

Ms R complains that Advantage Insurance Company Limited unfairly declined to pay the claim she made on her motor insurance policy.

background

Ms R and her partner bought a car based on an advert they'd seen online. The seller gave them a V5 registration document and an MOT certificate. Shortly afterwards, the car was stolen. The police told Ms R it had been stolen previously, and had a cloned registration plate. It didn't belong to the seller. Advantage accepted that Ms R bought the car in good faith. It sympathised with her situation. But it wouldn't pay the theft claim. It said Ms R had never been the car's legal owner, so she had no insurable interest in it.

Our investigator thought Ms R's complaint should be upheld. She noted that the seller gave Ms R documents for the car. In her view, the price Ms R had paid for the car was what she'd have expected to pay for a similar vehicle. She thought Ms R took reasonable steps when buying the car to ensure there was nothing suspicious about the sale.

Advantage then said it would pay the claim. But very shortly afterwards, it changed its mind. It said that - having checked the national trade guides - the price Ms R paid for the car was very low. It thought that should have raised suspicion on her part. Since it didn't think Ms R had carried out reasonable checks, Advantage thought it was fair to decline the claim.

As there was no agreement, the complaint was passed to me for review. I noted that Ms R said she and her partner had no idea about the price of cars. She said they had a set budget and looked for adverts offering cars for sale at around that price. The seller reduced the price by £200 for some scratches on the car. I said I thought most consumers would have looked at car prices in general before deciding to view particular cars. The market value of the car Ms R bought was around £5,700. I thought if Ms R had known that, the asking price of only £3,500 would have given her cause for concern.

I thought Ms R and her partner bought the car in good faith. But I said it was fair for insurers to expect consumers to take reasonable steps before buying cars. I thought the most basic step was to check that the asking price was roughly in line with those for similar cars. And I thought a high degree of caution was advisable in buying from an unknown private seller. I noted that Ms R didn't check his identity, so she bought the car from him largely on trust. I said it wasn't uncommon for a seller's false documents to look genuine. Hence the standard advice from motoring organisations and others that consumer should make other checks.

I said if a purchaser had carried out reasonable checks before buying, we may say it's fair for an insurer to pay a claim - even if they *didn't* actually own the car. But I didn't think it would be fair and reasonable to require Advantage to pay this claim, as I didn't think Ms R and her partner carried out reasonable checks before handing over their money.

I asked the parties to comment on my provisional findings. Advantage accepted them. Ms R said the seller emerged for the address shown on the documents he supplied. She thought the car may have been worth £5,700 in perfect condition, but the one they bought had deep scratches. That would have cost hundreds of pounds to repair. She and her partner had looked at other cars. Adverts for two similar ones showed prices of £3,650 and £3,750. Ms R clarified that seller reduced the price by £100 - but that was because it wasn't taxed. And she was able to tax and insure the car with no difficulty.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I accept that Ms R was given documents by the seller and that she and her partner accepted them in good faith. One of the documents had the seller's address on it and he met Ms R and her partner there. But it's a common ploy for fraudsters to meet buyers where they say they live. The documents weren't genuine. I can see why Ms R would have had some confidence in the seller, given his tactics. But they didn't check his identity. I don't think she and her partner did enough to protect themselves, given how risky it is buying from an unknown private individual.

I don't think the price asked for the car Ms R bought reflected a genuine reduction for the damage to it – several deep scratches. A five year old car is very rarely in perfect condition. The damage to the car may have cost a few hundred pounds to repair (as Ms R has said). But the asking price was well over £2,000 less than she should have expected to pay for it.

It seems Ms R and her partner only looked at adverts for cars in the price range they'd set as their budget. That meant they weren't looking at *average* prices for cars of that year, type and mileage. The car they bought would have cost much more from a genuine seller. And the prices they saw for the two similar cars will have reflected the history of those cars. Neither had high mileage, so it may be that they'd previously been badly damaged or written-off. Ms R and her partner weren't aware that they were only looking at below-average examples. But that's why making other checks is so vital, especially in a private sale.

Ms R doesn't think Advantage should have insured the car in the first place. But it isn't for an insurer to carry out the basic checks a buyer should make. I think Advantage was entitled to assume that Ms R had bought the car having ensured that the car was hers to insure. So despite my great sympathy for Ms R and her partner, I don't think Advantage acted unreasonably. Unfortunately, that means I can't uphold Ms R's complaint.

my final decision

My final decision is that I don't uphold this complaint. Under Financial Ombudsman Service rules, I must ask Ms R to accept or reject my decision before 20 December 2018.

Susan Ewins
ombudsman