

complaint

Mr W complains that Advantage Insurance Company Limited didn't offer enough for the repairs needed to his car when he claimed under his car insurance policy, following an engine fire. He also complains that damage was caused to the car while it was in the care of its agent.

background

Mr W made a claim on his car insurance following an engine fire. Advantage initially sent the car to a salvage yard, but when it was inspected, there was less visible damage than it expected. Advantage therefore instructed an engineer to carry out an inspection. The engineer concluded that, as the fire was caused by a mechanical fault, the fault itself wouldn't be covered. However, he did think there was some damage caused by the fire, and he assessed the cost of repairing this, as it was covered by the policy. He advised this would be less than the £250 excess. So Advantage didn't think it was obliged to pay anything to Mr W.

Mr W was unhappy with the engineer's assessment of the cost of the repairs, as he thought it would cost a lot more than the excess. He arranged his own report by a local garage and they quoted over £1000 for the repairs. So Mr W thought Advantage should pay this, less the excess. Mr W also said that when the car was delivered to the local garage for assessment, there was damage that hadn't been there when it was collected from him by Advantage's agent. He said since it had been at the salvage yard mould had developed in the interiors due to damp. He also said there was a dent on the boot, missing door handle covers, missing wind deflectors, missing registration plates and paint on the tyres. Mr W made a complaint to Advantage about its assessment of the cost of repairs and the damage that was caused at the salvage yard.

Advantage said it had passed Mr W's quote for repairs to its engineer, who had reviewed it and maintained that their original quote was correct. However, Advantage accepted there was damage caused at the salvage yard and asked Mr W to provide an estimate for repairs for that damage so it could review it. Advantage later reimbursed Mr W for the money spent on phone calls. It's also gave him £120 compensation for inconvenience caused due to poor service and the damage caused at the salvage yard. Plus, £30 to replace the registration plates.

Mr W was unhappy with Advantage's response. He still thought it had incorrectly assessed the cost of the repairs for the damage caused by the fire. He also thought Advantage should fix the damage caused while the car was at the salvage yard, rather than him providing a quote for it to review. For this reason, he refused to accept delivery of the car back to his house. He made a complaint to this service.

Our investigator considered all the issues and said he thought Advantage's quote for the repairs was fair, so he didn't think Advantage were obliged to pay for them, as they would cost less than the excess. Regarding the damage caused at the salvage yard, he said Advantage had now agreed to have the car assessed by qualified engineers while it was still at the salvage yard. It would then let Mr W know the costs of repairs and our investigator thought this was fair.

After our investigator had come to an opinion, Advantage arranged for its qualified engineer to look at the damage caused at the salvage yard. It said the wind deflectors and door handle covers were already missing when the car arrived at the salvage yard, which is shown in the photos taken as part of the first report. It also said that the damage caused to the interiors from damp was due to condensation, which was already a problem before the car arrived, so it didn't think it was responsible for this. It accepted that the salvage yard was responsible for the removal of the registration plates and the dent on the boot. The engineer concluded that the damage could be repaired for around £160.

Mr W disagreed with Advantage's engineer's report, as he thought it hadn't allowed enough for the work required to correct the damage. He was also unhappy that Advantage was no longer accepting liability for all of the damage he said happened at the salvage yard. He asked for the complaint to be looked at by an ombudsman.

I issued a provisional decision on 1 August 2019, In it I said the following:

my provisional findings

To consider the complaint, I have split it into two parts. Firstly, I will consider whether Advantage's original assessment of the damage caused by the engine fire was fair and reasonable. I will then consider whether Advantage has acted reasonably in assessing the damage caused while the car was at the salvage yard. And then I've considered what Advantage needs to do to put things right.

Damage caused by the engine fire

When Mr W originally made the claim, Advantage confirmed the fire was due to a mechanical fault, so any repairs relating to the cause wouldn't be covered under the policy. I can see in the policy, under the section relating to damage or loss by fire or theft, that "*Failures, breakdowns or breakage of mechanical, electrical, electronic or computer equipment*" will not be covered. So I agree this exclusion does apply and only the damage caused as a result of the fire is covered under the policy.

Advantage and Mr W have both provided reports including quotes for the cost of the repairs covered under the policy. Advantage's report says the cost to repair the fire damage would be around £230. However, it also states that the cost of the repairs is "subject to undisclosed damage". So this suggests to me they think there may be damage that it isn't possible to identify without taking the car apart or starting the repairs. Therefore, the cost to repair the damage may be higher than their current assessment, but they wouldn't know until the repairing garage started work on it. Mr W has said this was also mentioned by the garage that provided his report. I therefore think that it isn't possible to know for certain that the amount the engineer's allowed for repairs accurately reflects how much it would actually cost to fix the fire damage. So, I don't think it's fair for Advantage to say Mr W can't make a claim because the cost of repairs is less than the policy excess.

Damage caused while the vehicle was at the salvage yard

Advantage has accepted that the vehicle's registration plates were removed, and a dent to the boot was caused, while the car was at the salvage yard. However, it says the other damage Mr W said was caused at the salvage yard was present before it arrived.

Advantage say the wind deflectors and door handle covers were missing before the car arrived at the salvage yard. It said it knows this because these parts are missing in the photos taken for the initial report written by the salvage yard. I've looked at these photos and I can see that the wind deflectors and door handle covers are missing. However, in these photos the registration plates have also been removed. Advantage has accepted that the registration plates were removed at the salvage yard. I therefore don't think it can rely on the photos to say the door handle covers and wind deflectors were missing when the car arrived. If the salvage yard removed the registration plates before the photos were taken, I can't be certain that they didn't also remove other parts of the car. Mr W has also provided the report from the initial inspection of the car at the salvage yard. This doesn't list any missing parts.

I also think it is important to consider the fact the car was initially delivered to a salvage yard. This indicates that at first, Advantage thought the vehicle would be written off. I have also seen the letter Mr W received that explains this was the case. I think this means when the car was received, it's likely it wasn't treated with the care that it would have done had it been delivered to a garage for repairs. This is demonstrated by the fact that the registration plates were removed before the photos were taken. This wouldn't have happened if it was thought the car would be repaired. Based on this it seems likely that other parts of the car could have been removed at the same time. I therefore think that it's most likely the wind deflectors and door handle covers were also removed at the salvage yard. This lack of care, may also explain the paint marks on the tyres. So I think it's likely this damage was caused while the car was at the salvage yard and therefore Advantage should be responsible for putting it right.

I also need to consider the damp that has caused mould in the car's interiors. Advantage has said the damp was caused by condensation that was present in the car when it arrived at the salvage yard. In the report carried out by the qualified engineer, it says: *'We would bring to your attention that the inside of the vehicle is full of condensation due to the recent weather conditions as water has dripped from the screens and gathered on the dash panels and interior seats.'* However, this report is dated 21 December 2017. The first report from the salvage yard is dated 7 December 2017. This means the car had been at the salvage yard for at least two weeks before the second report was written. As the engine fire occurred on 31 November, it could have been longer than that. So there would have been a chance for the condensation to develop while it was at the salvage yard, before the report was written.

I have considered how the condensation may have occurred. Condensation occurs when warm moisture meets a cold surface. This happens where there is moisture already present in a car. Usually this will be from the warm breath of a passenger on a cold day. Advantage said it was due to the cold weather. However, the amount of condensation described – enough to make the seats damp – suggests there was more moisture than normal present in the car to start with. I don't think this could be explained by the winter weather alone. I have already decided it's likely care wasn't taken in the handling of the car at the salvage yard. I therefore think it is possible that the windows were left open at some point during this initial stage. This would mean there would be an opportunity for rain to get into the vehicle, meaning there would be considerably more water in the car than usual. I think this would better explain the level of condensation described in the report carried out on the 21 December. I therefore think it is most likely the damp was caused while the car was at the salvage yard. So Advantage should be responsible for putting this right as well.

Putting things right

For the reasons I have outlined, I don't think it's possible to estimate an accurate cost to repair the damage caused by the fire without starting the repairs. I therefore don't think it's fair for Advantage to say Mr W can't make a claim on the basis the repairs would cost less than the excess. Further, I think Advantage is responsible for the damage Mr W has said was caused at the salvage yard; so is responsible for putting this right.

I've considered the fairest way for Advantage to put things right for Mr W. Looking at Mr W's estimate for the repairing the damage caused at the salvage yard, in total this comes to around £1000. On top of this, there is also the cost of repairing the damage caused by the engine fire. Advantage has calculated this would cost around £230, but I have already decided I think it is likely this figure would be higher due to damage that isn't visible without starting the repairs. So, although it isn't possible to calculate the exact cost of repairs, they will cost at least £1230.

I have looked at the pre-fire retail market value of the car based on industry guides and the average of the three guides is £1802. Based on this I think the fairest way for Advantage to put things right is to write off the vehicle and settle the claim based on this valuation, less the excess.

I have also considered the distress and inconvenience that Advantage has caused Mr W. The claim has taken a long time to settle and has taken longer due to the extra damage caused at the salvage yard. Further to this, Advantage has been reluctant to assess this damage, which has caused further delays. Mr W has also said he had to continue paying finance on the car while the claim was being handled, which would have caused him further distress and inconvenience that he wouldn't have experienced if the claim hadn't been so delayed. Advantage has already offered Mr W £120 in compensation and an extra £30 for registration plates, which will no longer be required, as the car is to be written off. So this can now just be part of the compensation for distress and inconvenience. Due to the level of distress and inconvenience Advantage have caused Mr W and based on other cases where's the customer has experienced a similar level of distress and inconvenience, I think Advantage should pay Mr W £300 in total in compensation for distress and inconvenience, including any payments already made.

response to my provisional decision

Advantage responded to my provisional decision to say it had nothing further to add and accepted the suggested outcome.

Mr W didn't accept the decision. He said that he had continued to pay finance since the accident. He provided evidence that he had purchased GAP insurance as part of that agreement. And therefore, had the car been written off at the time of the claim, he wouldn't have had to pay the extra finance as it would be covered under the policy. The amount of finance paid and still due exceeded the settlement I suggested. So Mr W said it wasn't a fair outcome as he would still be out of pocket, compared to where he would have been if the car had been written off at the time of the accident.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having reviewed the evidence provided by Mr W, I can see that he continued to pay finance on the vehicle after the claim. If Advantage had written off the vehicle at that time of the claim, it would have paid the settlement to the company providing finance. I'm satisfied from what's been provided that Mr W's GAP insurance policy would have covered the remaining amount due on his finance agreement if Advantage had written his car off originally as it should have done. So he wouldn't have been required to pay anything further.

In order to calculate the amount of finance Mr W would have paid, I need to consider when Advantage should have reasonably written off the vehicle. When it originally assessed the car, Advantage said that the damage it could find would cost around £230 to repair. However the report its engineer produced said that this is subject to undisclosed damage. As an engine fire would be likely to cause quite significant damage to a vehicle, I think it's likely that there would be more damage that would only be discovered once repairs had begun. Further, the damage caused at the salvage yard in the second part of December left the car with damage which would cost £1000 to repair. As I valued the car at around £1800, at the point this damage was caused, I believe the car was no longer economically viable to repair. So it should have been written off in December 2017.

This means his final payment towards the finance agreement should have been in December 2017, as the car should have been written off before Mr W made the next payment in January 2018. At this point Mr W had paid £2800.16 of the £6268.44 owed. This means there was £3468.28 remaining, that Mr W wouldn't have had to pay if his car had been written off at this point. Therefore, I will require Advantage to pay Mr W £3468.28 to put him back in the position he would have been in if the car had been written off at the time. This doesn't include late payment fees that Mr W has incurred since, as he is liable to pay for those.

Since issuing my provisional decision, Advantage have now paid Mr W the £3468.28 as outlined above. However, As Mr W has been making monthly payments to the finance since the accident, Advantage should also pay 8% interest on each of the finance repayments from the date Mr W paid each on to the date it paid what I've awarded. This is to compensate him for not having that money during the time it has taken to pay and appropriate amount. I appreciate Mr W could carry on paying the finance payments until the agreement ends, but I don't think Advantage should have to pay interest beyond the date it paid the settlement amount I eventually suggested.

Further to this, for the reasons I outlined in my provisional decision, Advantage should pay Mr W £300 compensation to make up for the distress and inconvenience it has caused. Advantage have now also paid the compensation to Mr W, so I don't require it to pay any further compensation.

my final decision

For the reasons I've given, I uphold Mr W's complaint. I require Advantage Insurance Company Limited to:

- Pay interest at 8% simple per year on each of the finance repayments from the date Mr W paid each on to the date it paid the £3,468.28 I suggested.¹

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 December 2019.

Sophie Goodyear
ombudsman

¹ If Advantage Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.