

complaint

Mrs B complained about the amount Amtrust International Underwriters DAC (Amtrust) paid her when they settled a claim on her vehicle replacement guaranteed asset protection (GAP) insurance policy.

background

Mrs B took out a GAP policy when she bought a car. The policy says, if her car was stolen or written-off Amtrust would pay the difference between the settlement amount paid by her car insurer (plus up to £250 for any excess) and the amount it would cost to replace the car with one matching the original specification or as close to this as possible. Or if the purchase price is higher than the replacement cost, the policy says Amtrust will pay the difference between this and the settlement amount paid by Mrs B's car insurer.

Mrs B's car had an accident and she claimed on her car insurance policy. Her insurer said the car was a write-off. Her car insurer based their claim settlement on a pre-accident value of £6,180. Mrs B then contacted Amtrust to claim on her GAP policy.

Amtrust paid the difference between the original purchase price of Mrs B's car and the settlement from her car insurer on the basis that the purchase price was more than the cost of the nearest equivalent replacement. They used the retail price shown in Glass's guide, used by car dealers and insurers, to get the replacement cost.

Mrs B complained about the amount Amtrust paid her. I issued a provisional decision on this complaint on 4 January 2018 where I explained why I think Amtrust's settlement was reasonable.

I said the terms and conditions provided by Mrs B are dated July 2016 and the ones provided by Amtrust are dated September 2015. As Mrs B purchased the car in January 2017 I thought it's most likely the terms and conditions she was given were the ones she provided us dated July 2016. I therefore relied on these terms rather than the ones Amtrust provided us.

The policy terms provided by Mrs B define a replacement car as *"the value of a replacement vehicle matching the original vehicle specification or an equivalent superseding model in the event the model is no longer available. The cost of the replacement vehicle will include any factory fitted options, first registration and road fund license fees, delivery charges and any discounts that are available plus dealer fitted accessories, non-transferable warranty insurance premiums/guarantees fees, or paint protection applications that were supplied along with the original invoice and detailed on the purchase invoice"*.

I also said from what I'd seen the car Mrs B had, a 1.2 Sting, is no longer available. Mrs B provided an extract from the manufacturer, which said the 1.2 Sting was replaced with the 1.4 75ps Sting. As the superseding model is a 1.4 75ps Sting, this is the model Amtrust should use to work out what's due under the policy.

I said according to the invoice from when Mrs B bought her car, it was just over 9 months old and had done 4,289 miles. I looked at the value of a 1.4 75ps Sting which was 9 months old and had 4,289 miles on the clock by looking at the trade guides (Glass's and CAP) and taking the average price of the two. I did this, as this is the best way to establish what it would cost to buy a 1.4 75ps Sting at the time Mrs B's car was written-off.

Mrs B provided an advert for a 1.4 75ps Sting and said this showed the prices given in the guides are wrong, as they're based on auction prices. While the guides do take into account auction prices and what dealers are likely to add on when they sell cars they bought at auction, they also look at likely selling prices and other factors to determine the likely retail selling prices they give. And – because the guides look at a wide range of data - I think they're the best way to work out what the likely cost of a 1.4 75ps Sting would have been in the retail market at the time Mrs B's car was written-off.

I said the highest guide price was Glass's at £6,780. Mrs B's policy says it will base its payment on the highest of the cost of a suitable replacement and the original purchase price. This meant in Mrs B's case the original purchase price was higher and so I thought Amtrust's use of this figure to work out what's payable is in line with the policy terms and fair.

In summary, I thought what Amtrust had paid in settlement of Mrs B's claim was reasonable. So, I didn't think it's appropriate for me to make them pay any more.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, my decision remains the same.

Amtrust responded to my provisional decision and said they agreed with the outcome. Mrs B replied and said she disagreed as she feels the evidence relied upon is theoretical. She also said the advert she's provided is a real life example of what it costs to replace the car.

While I've taken on board Mrs B's comments I'm unable to agree the guides aren't a fair way to determine the replacement cost, for the reasons explained above. I've also looked online to compare the price in the guides with those of actual advertised vehicles. I acknowledge there is a variety in price of those advertised. However there are similar vehicles to Mrs B's advertised for a similar amount to the price given in the guides. I therefore maintain the guides are a fair method to determine the value of Mrs B's car.

For these reasons I think what Amtrust has paid in settlement of Mrs B's claim is reasonable and I won't be telling them to pay anymore.

my final decision

For the reasons explained above, my final decision is that I don't uphold Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 1 March 2018.

Alex Newman
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