

complaint

Mr and Mrs A are unhappy with the amount Covea Insurance plc offered them under their motor insurance policy after their lease hire car was written off.

background

Mr and Mrs A's lease hire car was written off (known as a total loss) in an accident. They contacted Covea to make a claim on their insurance policy. Covea initially told Mr and Mrs A that it would pay the 'market value' for the car. However, it later changed this to the trade value of the car minus VAT. Covea did this because it said the vehicle was acquired through a lease hire agreement.

Mr and Mrs A thought Covea should pay the market value of the car. To try and resolve the complaint Covea offered Mr and Mrs A the mid-point value between the market value and trade value of the car. Covea also paid Mr and Mrs A £250 compensation for some errors in the service it had provided.

I issued a provisional decision on Mr and Mrs A's complaint on 3 April 2017 where I explained what Covea needed to do to put things right.

I explained that Mr and Mrs A's policy says if their car is acquired through a lease agreement it *"may in the event of a total loss...pay the...leasing company directly for the loss or damage"*. It also says *"if the insurer's estimate of the market value is more than the amount owed any balance will be paid to you."* Covea defines market value as the cost of replacing it immediately before the accident.

In summary I said the policy is clear about what would be paid in the event of a total loss. The terms and conditions only refer to the market value of the car. It doesn't say Covea can pay trade value or deduct VAT. Based on that I didn't think it was fair and reasonable for Covea to say it will only pay the trade value minus the VAT.

I was also satisfied that, given the policy wording, Mr and Mrs A would think they would receive the market value in the event of a total loss. Because of that, I was persuaded that had Mr and Mrs A known the policy only covered the trade value, they would've taken out different cover.

I was also satisfied that the terms and conditions were clear in how the claim would be settled. And that it clearly states any outstanding balance will be paid to Mr and Mrs A.

So, I said the fair and reasonable outcome would be for Covea to pay Mr and Mrs A the pre-accident market value of the car. As there was some disagreement about this value, I outlined our approach to establishing a reasonable offer for the market value of the car. In doing this I considered the trade guides as they reflect the price cars have sold for. I said Glass' guide gave a valuation of £34,760, CAP's guide £35,700 and Parker's £37,950. Based on these, and Covea's original valuation of £35,585, I was satisfied a valuation of £35,700 would be fair and reasonable.

I was satisfied that Covea should pay the outstanding amount, owed by Mr and Mrs A, to the lease company and then pay Mr and Mrs A any outstanding balance up to the market value. I said Mr and Mrs A would need to ask the lease company to provide up-to-date evidence of the amount required to settle the agreement.

Finally I said Covea not paying the claim in line with the terms and conditions left Mr and Mrs A without enough money to acquire a new car. I highlighted that Mr and Mrs A were at first provided with a hire car, but have since had to pay to hire one. For that reason I was satisfied that Covea should reimburse Mr and Mrs A for the cost of that hire from the date they hired it until the date it makes payment.

Mr and Mrs A agreed with my provisional decision. Covea disagreed. It said Mr and Mrs A would make a profit. Covea also said Mr and Mrs A had not helped it in the settlement of the claim. So, it felt Mr and Mrs A would be 'over indemnified'.

In relation to the cost of the replacement hire car; Covea said Mr and Mrs A had contributed to the delays in payment. And they had done this to make a profit. It said it was unfair that it had to pay this cost.

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 and I'm going to uphold it.

Covea has argued that Mr and Mrs A would be over indemnified if they receive the market value for the car. It says it should be able to limit the settlement to the trade value of the vehicle. I disagree. I'm satisfied the terms and conditions of the policy are sufficiently clear in explaining how any settlement will be made. These say, Covea will pay the market value of the vehicle, not the trade value. And I'm persuaded Mr and Mrs A would have bought different cover if they'd known it was limited to trade value. So, I think the fair and reasonable outcome is for Covea to pay the market value in line with the terms and conditions of the policy.

Covea has also said Mr and Mrs A haven't provided necessary information in order to resolve the claim. It also said Mr and Mrs A caused delays in the settlement of this case. And that it shouldn't have to pay any additional hire costs Mr and Mrs A have incurred since 5 October 2016. Covea says that on this date it told Mr and Mrs A it would pay the outstanding lease agreement, but they refused to send relevant information. It says Mr and Mrs A did this to make a profit.

While I accept Covea might not have had that information until recently, in my provisional decision, I said Mr and Mrs A would need to provide up-to-date settlement information to enable Covea to pay the claim.

I also said Covea's decision to pay the trade value of the vehicle left Mr and Mrs A without the ability to acquire a new car. I've seen no evidence that suggests they withheld information in order to make a financial gain.

Instead I'm satisfied that Mr and Mrs A have continued to argue that Covea should pay the market value of the car, as set out in the terms and conditions of the policy. I'm satisfied that had Covea paid market value sooner, Mr and Mrs A wouldn't have incurred additional costs. So, I still think it should pay the costs of the hire car from the date they hired it until the date it makes payment.

So for these reasons my decision remains unchanged, and I uphold this complaint.

my final decision

My final decision is that I uphold this complaint and require Covea Insurance plc to:

- pay Mr and Mrs A's claim in line with the terms and conditions of their policy. This means it should pay the outstanding finance on Mr and Mrs A's car to the lease company and then pay Mr and Mrs A any outstanding balance up to the market value of £35,700. To enable Covea to do this Mr and Mrs A will need to provide up to date evidence of the amount required from the lease company; *and*
- reimburse Mr and Mrs A's hire costs from the date they hired the car to the date it makes payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 2 June 2017.

Tom Whittington
ombudsman