

The complaint

Mr A complains about the amount Haven Insurance Company Limited (Haven) paid in settlement of his claim after his car was written off, under his motor insurance policy.

What happened

Mr A contacted Haven in November 2021 to make a claim as he had been involved in a car accident. Initially the third-party driver was thought to be at fault. Mr A was asked to provide photos so Haven could assess the damage. Two days later he was told the car was a total loss.

Mr A says he expected a courtesy car to be supplied. But Haven told him his policy didn't provide for this.

Haven told Mr A the third-party driver was disputing liability. And around a week after the accident happened Mr A admitted he was at fault. Subsequently Haven offered Mr A a settlement payment for £2,000. After his excess charge this came to £1,100. Mr A thought his car was worth much more than this and so raised a complaint.

Haven says Mr A's policy has a limit of coverage as shown in his policy schedule for £2,000. It maintains this is the maximum sum payable. But as a gesture of goodwill, it offered Mr A an increased payment of £2,200. Mr A still felt this was unfair and says he paid approximately £900 in travel costs until he bought a car. He says this was around 45 days after the accident. Because he remained unhappy Mr A referred his complaint to our service.

Our investigator upheld his complaint. She listened to a call recording from June 2021 when Mr A had changed the car on his policy. She didn't think he had agreed the car was worth £2,000 during this call. Because the term relied upon by Haven was so significant in limiting the payment Mr A would receive, she thought this should've been explained very clearly to him. But she didn't think it had been in the call or in the policy terms and documentation provided by Haven.

Based on an average value taken from the industry trade guides our investigator thought a fair market value for Mr A's car was £5,077. She thought it fair that Haven pay this amount to Mr A. She says it was also fair that Haven should be able to deduct an amount to reflect the premium assuming the correct value of the car had been recorded by its agent.

Mr A accepted our investigator's findings. Haven didn't respond. So, it has been passed to me to decide.

I issued a provisional decision in May 2022 explaining that I was intending to uphold Mr A's complaint. Here's what I said:

provisional findings

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

My remit here is to consider whether Haven treated Mr A fairly when limiting its settlement payment to the “insured vehicle value” set out in the policy schedule.

In its response to Mr A’s complaint Haven says his policy has an indemnity limit and refers to the following excerpts from its policy terms:

“Section A: Definitions: Limit(s) of Coverage: The value shown in the Schedule

*B2 LOSS OF OR DAMAGE TO YOUR VEHICLE OTHER THAN BY FIRE OR THEFT
(COMPREHENSIVE POLICIES ONLY)*

What is covered?: We will cover You in respect of loss of or damage to Your Car which occurs during the Period of Insurance caused by accidental or malicious means up to the Limit of Coverage specified in the Schedule and subject to the applicable Excess(es).

Provisions applicable to B1 and B2:

7. If We consider Your Car is Beyond Economic Repair as a result of an accident or incident covered by this insurance, subject to clause 9 below We will provide the owner of Your Car with settlement of its Market Value up to the Limit of Coverage after deducting the Excess. You should be aware that We are entitled to provide settlement up to the Limit of Coverage after deducting the applicable Excess(es) in full and final settlement of Your claim for damage to Your Car, even if that value is under-stated. Our obligation to repair Your Car shall be limited to the cost calculated by applying the proportion that the value of the repair service that We are to provide bears to the Market Value of Your Car up to the Limit of Coverage less the applicable Excess(es).”

The policy schedule says, “Insured Vehicle(s): Value: £2,000”.

Generally, we don’t consider it fair for an insurer to limit a settlement payment to an amount less than the market value of the vehicle. Haven says the policy limits the cover to the value set out in the schedule. But for Haven to fairly rely on its “limit of coverage” term, I need to be satisfied that it clearly highlighted the significance of this policy term, and its ramifications, to Mr A.

To understand whether this was made clear to Mr A over the phone I’ve listened to the call in June 2021 when he called Haven to change the car he had insured on his policy.

Haven’s agent confirms the car registration to Mr A near to the start of the call. She then begins to say that the value of the car is £2,000. But Mr A interrupts her to correct the registration details. The car value isn’t mentioned again. Based on this I don’t think Mr A heard what Haven’s agent said. I certainly don’t think it was made clear to him that this is the maximum amount it would pay out in the event of him making a claim. And I don’t think it’s clearly been shown that Mr A told Haven his car was worth £2,000.

Having considered the information provided, I’m not satisfied that Haven made Mr A aware of the significance of this policy term. I don’t think he was alerted that a settlement payment would be limited to the value declared in the schedule. Or that this could be to his detriment, which it has shown to be here. The policy terms stated above refer to a limit of coverage. But I don’t think sufficient attention is drawn to this considering the numerous other terms. Because of this I don’t think it would be fair for Haven to base a settlement payment on the insured value set out in the schedule, which is less than the market value of Mr A’s car.

We think a fair approach to establish the market value of a vehicle is by using the industry

trade guides. The three guides I have seen for Mr A's model of car and mileage gave valuations of £4,730, £5,153, and £5,350. This provides an average valuation figure of £5,077 at the time of the loss.

In the circumstances described I think it's fair that Haven bases its settlement payment on this figure.

I've thought about the impact on Mr A's premium if Haven had used the correct value at the time he changed his car. In the circumstances, if the premium would've been higher, I think it's fair that the business deducts an amount to reflect the additional premium.

Courtesy car

Mr A says he expected a courtesy car to be provided under his policy. I have read his policy terms to understand what is expected here. The terms under, "Section B Loss of or damage to Your car: What is not covered" say:

"The cost of alternative transport (including hire car costs) or compensation for You being unable to use Your Car or any consequential losses (including loss of profits or hire charges) incurred by You or anyone insured under this policy."

I acknowledge Mr A's view that he thought this is a service that should be provided under his policy. But I can't see that he is entitled to a courtesy car or alternative transport under his policy terms.

That said I don't think Haven treated Mr A fairly in limiting its settlement payment to £2,200. Mr A says he did buy another car, but he was without one for around 45 days. The amount Haven offered was significantly below what it would cost to replace Mr A's car and it's reasonable to accept this caused him further hassle and difficulties when trying to find a suitable replacement. To acknowledge this, and for the impact Haven had on Mr A, I think it's fair that it pays him £200 compensation.

In summary, I don't think Haven treated Mr A fairly in offering a settlement based on the insured value set out in the policy schedule. I think the valuation for £5,077 based on the industry trade guides is fair, and this should now be paid to Mr A excluding the policy excess and any amount already paid, plus 8% simple interest.

I said I was intending to uphold this complaint. Haven Insurance Company Limited should:

- provide a settlement payment for £5,077 in total, to include 8% simple interest on any unpaid part of this from the date of the loss until the time this is paid; and

(*If Haven considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.)

- pay Mr A £200 compensation for the hassle and inconvenience it caused him.:

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Haven didn't respond with any further comment or information.

Mr A responded to say he accepts the provisional decision.

What I've decided – and why

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

As neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint. Haven Insurance Company Limited should:

- provide a settlement payment for £5,077 in total, to include 8% simple interest on any unpaid part of this from the date of the loss until the time this is paid; and

(*If Haven considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.)

- pay Mr A £200 compensation for the hassle and inconvenience it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 July 2022.

Mike Waldron
Ombudsman