

The complaint

Mr D complains about Acasta European Insurance Company Limited's ("Acasta") offer to settle his claim under his Guaranteed Asset Protection ("GAP") insurance policy.

What happened

Mr D bought a car on finance and also took out a GAP policy. A few months later, Mr D's car was stolen so he reported this to his motor insurer, and they settled his claim with a payment they said represented the market value of his car. Mr D then made a claim against his GAP policy and received an amount which Acasta said represented the difference between what Mr D's motor insurer had paid him and the invoice price of his car. Mr D complained and said, at the point his motor insurer settled his claim, he'd paid over £5,000 for his car in the form of a deposit and monthly instalments towards the finance – and the amount he received from Acasta left him with a shortfall as it didn't cover the amount he'd paid.

Acasta responded and explained the GAP policy is designed to pay the difference between the amount paid out by the motor insurer in the event of a total loss and the invoice price at the time of purchase. They said they understood that Mr D was concerned that he hadn't received the invoice price of the vehicle plus all payments and interest charges he would be required to pay under his finance agreement. They explained the invoice price of the vehicle is the price that appeared on the invoice and not the total amount payable under the finance agreement. Acasta said they'd paid out correctly and in line with the policy terms and conditions.

Our investigator looked into things for Mr D. He thought Acasta had acted fairly when settling Mr D's claim. Mr D disagreed so the matter has come to me for a 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.

Having done so, I've decided not to uphold the complaint. I understand Mr D will be disappointed by this but I'll explain why I have made this decision.

My starting point is Mr D's GAP insurance policy document. This sets out the terms and conditions and describes what the policy covers and the steps Acasta will take when deciding how to settle a claim.

Under a section headed 'What is covered' it says, "*...in the event of your Vehicle being declared a Total Loss, this insurance will pay either: The difference between the Motor Insurers Settlement and the Vehicle Purchase Price...or...Where your vehicle was purchased under a finance agreement...and the Outstanding Finance Balance at the Point of Total Loss is greater than the Vehicle Purchase Price, this insurance will pay the difference between the Motor Insurers Settlement and the Outstanding Finance Balance.*" The policy document defines 'Purchase Price' as, "*...the invoice price of Your Vehicle. This insurance will also cover...non-transferable...insurance premiums/guarantee fees, or paint*

protection applications that were supplied along with the original Vehicle and detailed on the purchase invoice.”

The car invoice shows the purchase price of the car as £10,899 and it also shows three additional items bought by Mr D. Two of these are transferable insurance premiums/guarantee fees, so fall outside the policy definition of ‘Purchase Price’ and therefore isn’t covered by the GAP policy. One of the items does fall within the definition and the price of this was £269. That means the purchase price was £11,168. The information shows at the point Mr D’s car was declared a total loss the outstanding finance balance was £8,269.02. So, given that the purchase price figure is greater than the outstanding finance balance, Acasta acted in line with the policy terms and conditions by settling Mr D’s GAP claim by paying the difference between the motor insurer’s settlement and the purchase price.

The information shows the purchase price was £11,168 and, after deducting the motor insurer’s settlement of £10,190 from this, it left a balance of £978. The GAP policy also provided cover for Mr D’s motor insurance excess, up to a limit of £250. The settlement letter from Mr D’s motor insurer shows they deducted an excess of £250, so Acasta included this in their settlement figure which meant the total that Acasta needed to pay under the GAP policy would’ve been £1,228. This is what Acasta paid Mr D, so I can’t say Acasta have settled the claim against the policy terms and conditions or otherwise treated Mr D unfairly.

I can see Mr D says the issue here is about the purpose of the insurance policy and its overriding objective. In his complaint to Acasta, Mr D says it’s unfair for Acasta to base the claim settlement on the invoice price of the car in circumstances where his car was bought on finance. At the point Mr D’s claim was settled by his motor insurer, he’d paid a total of £5,431.04 towards the purchase of his car. After the outstanding finance was settled, Mr D’s motor insurer paid him the remaining sum of £1,670.98 from the claim settlement. Mr D says deducting this sum from what he’d paid left an outstanding amount of £3,760.06 – and after deducting the £1,228 paid by Acasta, this left an outstanding sum of £2,532.06. Mr D says the purpose of the GAP insurance is to put him back in the financial position he would’ve been in had the theft not occurred – which Mr D says, in this case, involves Acasta paying him the outstanding £2,532.06.

I acknowledge Mr D’s point that he didn’t pay cash for his car and instead took out finance, but a GAP policy is an insurance policy which covers the difference or ‘gap’ between the market value of a car when it’s written off or stolen, and a previously agreed amount. And the information here shows that previously agreed amount was the greater of the vehicle purchase price or the outstanding finance balance. The policy terms and conditions don’t say, beyond the scope I’ve referred to here, that it will also cover all payments Mr D has made towards the finance. A GAP policy such as the one taken out by Mr D also isn’t intended to cover this. So, by paying Mr D the difference between the motor insurer’s settlement and the purchase price of his car, I think the GAP policy has fulfilled its purpose and provided the cover that was required under the policy terms and conditions.

I understand why Mr D has complained, and I hope he feels reassured that I’ve checked the GAP policy terms and conditions. But I can’t say Acasta have acted unfairly in how they’ve settled Mr D’s claim. I wish to reassure Mr D I’ve read and considered everything he has sent in, but if I haven’t mentioned a particular point or piece of evidence, it isn’t because I haven’t seen it or thought about it. It’s just that I don’t feel I need to reference it to explain my decision. This isn’t intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 August 2024.

Paviter Dhaddy
Ombudsman