

## The complaint

Miss A complains that after she made a claim on her motor insurance policy, UK Insurance Limited ('UKI') didn't pay her the sum due for her car after the finance on it was settled.

## What happened

Miss A had a car on a contract hire (lease) plan. It was written-off in an accident in July 2023 and UKI's engineer told Miss A he'd calculated that its pre-accident market value was £17,513. He said as there was finance on the car, the finance firm would have to be asked for its valuation (later confirmed as £14,125) and that Miss A would be paid the difference.

Miss A thought she was due a payment of around £3,000. But UKI then noted that she was only paying to *lease* the car (which would be returned to the lease firm when the lease ended). UKI said she had no investment / stake in the car, so its obligation was only to pay the lease firm the sum it required. Miss A also thought she should be refunded the remainder of the annual premium she'd paid, but UKI said under the policy, if a car is written off and UKI pays a settlement sum for it, the full annual premium is payable by the consumer.

UKI recognised that there were delays in the claims process and that it should have told Miss A earlier that the payment for the car would go to the lease firm that owned the car. It offered her £200 compensation. She rejected it, saying UKI had reneged on its promise to pay her the £3,000 difference between the car's market value and the finance settlement.

One of our investigators reviewed Miss A's complaint. He noted that the policy says if a consumer is buying a car on hire purchase (or leasing it) UKI will pay the car's legal owner (the finance / lease firm) for the written off car. The policy says any remaining balance is paid to the consumer only if they have the option of becoming the car's legal owner at the end of the agreement. The investigator thought UKI had acted reasonably in paying only the lease firm for Miss A's car - and he said the full annual premium was payable in the event of a total loss settlement. He thought the £200 compensation offered by UKI was sufficient.

Miss A said UKI had given her false information and that she'd been left out of pocket. As there was no agreement, the complaint was passed to me for review.

## 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.

I think the policy is clear about the full annual premium being payable if a car is written-off and UKI settles the claim. That's in line with standard industry practice, and I think UKI acted reasonably in not returning any of the premium to Miss A. I think it satisfied its obligation to her by paying off the car's finance, which otherwise she would have had to pay.

Under the section headed "*Making a claim*" in the policy, the wording is clear about the situation where a car is being leased by a consumer. It says the following: "*If your car can't*

*be repaired and you're leasing it, we'll pay any claim to the lease company because they are the legal owners of the car."* It also says that if a car is being bought by a consumer through a hire purchase plan, the claim will be paid to the legal owner. It goes on to say that (for a car on hire purchase) *"We'll only pay any remaining balance to you if you have the option of becoming the legal owner at the end of the agreement."*

I think the policy wording shows there was no need for UKI to pay Miss A anything in connection with the car's total loss. Its duty to her was to settle the sum required by the lease firm, as it was the car's legal owner. I think it's very unfortunate that UKI didn't realise Miss A's car was on lease (as opposed to on hire purchase finance) early on. Had it done so, its engineer wouldn't have discussed the car's market value with her, as she had no financial investment or stake in the car. Miss A was just paying for the use of the car (which was to be returned to its legal owner in due course) the lease firm could say how much the car was worth. It decided what the commercial value of its asset was, and UKI settled the sum it required. So I think it discharged its obligation to Miss A under the policy.

I appreciate that UKI's engineer raised Miss A's expectations by telling her she was entitled to any sum between the car's pre-accident market value and the sum required for the finance on it. But that was an error on his part, and I don't think UKI can be forced to honour an error of this sort. Miss A says she was left out of pocket due to the error, but I don't think she's shown that's the case, as she was never entitled to a payment for the car.

In my opinion, the compensation UKI offered to Miss A was reasonable. It said the £200 was for the delay in contacting the other driver's insurer, and for the delay in explaining to Miss A that payment for the car would go the finance firm. I don't think Miss A has shown that the delay in contacting the other insurer (for UKI to claim back its outlay on the claim) had an impact on her. The delay in UKI giving her the correct information certainly did (in terms of her raised expectations and consequent disappointment). But I don't think she's shown that there was a financial consequence for her as a result of that delay / error, so I don't think an increased payment from UKI would be appropriate.

I know Miss A will be disappointed with my decision, and I understand her frustration with UKI's error, but in my opinion, it wouldn't be fair and reasonable to uphold this complaint.

### **My final decision**

My final decision is that I don't uphold this complaint. Under the Financial Ombudsman Service's rules, I must ask Miss A to accept or reject my decision before 5 August 2024.

Susan Ewins  
**Ombudsman**