

## **The complaint**

Mr K complains about how UK Insurance Limited ("UKI") handled a claim for a new vehicle under his motor insurance policy.

## **What happened**

Mr K had a motor insurance policy with UKI covering his car.

He'd bought his car new, using a third-party finance company I'll refer to as "B" to fund it.

His car was stolen and he made a claim in early October 2022.

The policy with UKI included a 'new car replacement' cover. What this means is, UKI would replace his car with a brand new one of the same make and model. Mr K wanted this to happen.

There were problems with UKI not realising he had this cover and getting an engineer to contact Mr K.

About three weeks after the car was taken, UKI tried to order a new car from the manufacturer. It said it would take about 8-9 months to get it.

Mr K found a car in stock but with a different specification. He was happy to pay towards the difference. B said it wouldn't approve the finance agreement on the stock vehicle as its specification was different. The only option for a new car was to wait for the manufacturer to deliver one.

UKI offered Mr K a cash settlement of £35,162.80, less Mr K's excess.

There was a problem obtaining the correct settlement figure from B. This was rectified and Mr K's finance agreement was settled.

Mr K complained about UKI's processes and service during his claim. He says it would be almost impossible to obtain a new car replacement under its policy wording so he thinks the policy has been mis-sold.

UKI upheld part of his complaint. It said it'd given Mr K poor service and caused delays in paying B, an engineer appointment, during the claim generally and because it gave him an unsuitable hire car. It awarded him a total of £425 compensation.

Mr K remained unhappy and brought his complaint to this service. He says the claim will cost him an additional £4,500 to get a replacement. Our investigator looked into it and thought it wouldn't be upheld. He thought UKI's service hadn't been very good, but its offer of compensation was fair. He said he thought UKI's policy was clear and it had settled the claim accordingly.

Mr K didn't agree with the view and asked that his complaint was reviewed by an ombudsman. So it has been passed to me to make a final 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'm not upholding Mr K's complaint. I realise this will be a disappointment to him and I'll explain why I've made this decision.

Our approach is to consider whether the insurer has acted in line with the terms and conditions of the policy, and fairly and reasonably.

### **New car replacement**

The key part of Mr K's claim is about the section of his policy called "New car replacement" and I've included the relevant parts of it here:

*"If your new car is stolen and not recovered or written off we'll replace it with one of the same make and model.*

*We can only do this if a replacement car is available in the UK and so long as anyone else who has an interest in your car agrees.*

*If a suitable replacement car is not available, we will pay you the market value of your car at the time of the loss (less any excess that may apply)."*

It's clear that Mr K's car was suitable for replacement under the terms of the policy.

But the terms of the policy also clearly state that its replacement can only happen if *"anyone else who has an interest in your car agrees"*. In Mr K's case, this means B. I can see that its refusal to consider replacement with the 'stock' car found by Mr K meant that UKI's hands were effectively tied.

I know Mr K has also expressed disappointment that UKI's car replacement process also means he would have to wait for 8-9 months for the car to be built by the manufacturer. I also know vehicle lead-times are long which seems to be a global automotive industry issue at present. In later correspondence he also says it would be possible to get a car faster via different channels. I've not looked into this more, but there are other factors to consider such as B's interest in the car, and UKI's supplier network.

The alternative approach under the policy was to pay Mr K the market value of his car, and I can see UKI did this.

The refusal of B to consider the alternative car means that UKI weren't able to settle Mr K's claim as quickly as he wished. But the offer to replace existed, and a suitable alternative was ultimately used under the terms of the policy. Mr K has expressed his disappointment with UKI's product, saying "they cannot fulfil the service in a reasonable way" but I've explained above that UKI would have been able to provide the replacement and weren't able to because of B and the way Mr K chose to buy his car.

So I can't say UKI has acted unfairly here.

### **Service**

UKI has already agreed that its service wasn't very good during Mr K's claim. I can see early on he tried to ask UKI about the cover he had, and its claims handlers weren't readily able to

provide him with an answer. Mr K also said two claims handlers didn't know about the cover he had for new car replacement.

I can see UKI provided Mr K with a hire car during his claim. He was told by the hire company he wouldn't be insured, when he actually would be covered by UKI. I can see UKI clarified this, and it's also mentioned in the policy wording.

The hire car was too large, and Mr K asked for another one. The second hire car wasn't of a good enough quality and Mr K complained about this. Mr K was provided with hire cars from about four days after his claim until his claim was settled about six weeks later.

Mr K was promised calls back, which he didn't receive.

There was a delay assessing his vehicle. Mr K was told incorrect information about when an engineer would be available. Being given incorrect information happened a few times during his claim.

His claim was settled about seven weeks after he contacted UKI.

Some mistakes were made with payments to B, that were later corrected.

UKI offered Mr K a total of £425 compensation for its poor service and the experience he had.

I know Mr K has asked for a much larger figure than this amount, but his calculation relates mainly to the replacement car he wanted to obtain, and the associated costs of finance and various other factors. I've said above that I think UKI acted fairly in how it settled Mr K's claim.

I've also considered the impact the claims process had on Mr K and this service's guidelines on compensation. It's inevitable with any insurance claim to expect a certain amount of disruption to normal life and I can see that UKI's service made this process much worse than it needed to be. Mr K was provided with a hire car almost throughout his claim, and he's been paid £425 compensation by UKI.

Taking everything into account, I think this amount is fair and I'm not going to ask UKI to pay more.

### **My final decision**

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 8 November 2023.

Richard Sowden  
**Ombudsman**