

The complaint

Ms R and Mr R are unhappy about AXA Insurance UK Plc's handling of a claim they made under their Van insurance policy.

As Mr R was involved in the incident and has been dealing with the matter, for ease I will mainly refer to him in this decision.

What happened

What follows is intended to be a summary of the background behind Mr R's complaint. It isn't intended to be a detailed timeline of events and therefore does not include every event that has happened.

Mr R was involved in an accident with an uninsured driver. He made a claim to AXA initially for repairs to the vehicle, but later the vehicle was deemed to be a total loss. As in the costs of repair were likely to be near to or exceed the value of the vehicle.

Mr R complains there were delays in dealing with the claim. He sold the vehicle to mitigate storage costs however he did so before the claim was concluded. When AXA accepted the claim and looked to make payment, it registered a total loss marker against the vehicle with the relevant organisation. Mr R was unhappy as this meant he could then be subject to legal action from the new owner of the vehicle.

During the course of the claim, AXA discovered the vehicle was under insured for its value. It therefore made a proportional offer to Mr R for the value of the vehicle to reflect this. It also deducted an amount from that settlement to reflect the salvage cost of the vehicle. AXA offered to pay for the recovery and storage costs Mr R incurred but had concerns about the invoice that had been received. It said once Mr R had provided further information so it could satisfy itself the costs were correctly incurred; it would then release the payment.

In responding to Mr R's complaints, AXA recognised the claim journey could have been smoother for Mr R. It offered him £750 compensation and a payment for loss of use of the vehicle to cover the time it took to review the repair estimate Mr R had provided. Mr R was unhappy with AXA's response and brought his complaint to this service.

Our investigator looked at the complaint, she agreed there had been issues with the claim but thought the actions AXA had taken to recognise this were sufficient. She explained to Mr R that AXA was entitled to reduce the payment for the vehicle as it was under insured, it was common practice for a 'total loss' category to be registered against a vehicle and AXA was entitled to deduct a salvage amount from the settlement. The investigator also explained to Mr R that AXA was entitled to make further enquiries about the recovery and storage charges.

Mr R didn't agree with the investigator and asked for the case to be reviewed by an ombudsman.

The case has been passed to me to decide.

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 want to assure Mr R I've considered and thought carefully about all of the points he has made. The purpose of my decision isn't to address every single point the parties have raised or to answer every question asked. My role is to consider the evidence presented by both parties to reach what I think is a fair and reasonable decision.

I recognise Mr R feels very strongly about what has happened and that the claim journey hasn't been smooth. AXA changed its position on what it would be paying Mr R which understandably would've caused frustration. However, in this decision I don't intend to revisit everything that has happened, I intend to focus on the issues that remain in dispute and decide if AXA has now done enough to put things right.

Under insurance

Mr R updated the details of the vehicle on cover, mid-way through the policy term. AXA has said at the point this happened, the value of the vehicle wasn't updated and remained as previously insured. Because of this, it says the incorrect premium was charged. To put this right, it has proportionally reduced the settlement it has paid to Mr R for the value of the vehicle.

Mr R has said there was only an option to update the vehicle registration plate on the online portal and he wouldn't have acted deliberately to under value the vehicle.

I've looked at the online journey for updating vehicle details and I'm satisfied there was a section where the vehicle value could be changed. AXA accepts this wasn't intentional, had it thought the action was deliberate it would have been entitled to avoid the claim altogether and cancel the policy.

I'm satisfied that proportionally reducing the settlement is a fair action to take in this instance. And it is a recognised remedy for the settlement of claims where policies have been set up based on the incorrect information. I've looked at the value AXA would have charged for the policy had the correct value been given and I'm satisfied it has actually reduced the settlement by less than what it technically would have been entitled to do.

Value of the Vehicle

AXA and Mr R have now agreed a fair value of the vehicle should be £14,500.

Our usual approach to complaints about vehicle valuations is to look at motor trade guides for valuing second-hand vehicles. We find these persuasive because their valuations are based on nationwide research and likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. This takes into account all the specifications of the vehicle as well as any extras and the mileage. If a guide price is significantly higher or lower than the others, we may think it's reasonable to ignore it. This depends on the value of the vehicle.

Having reviewed the values produced by the trade guides I'm satisfied the £14,500 offered is fair and reasonable.

Total loss category

Where insurers pay a claim for a total loss of the vehicle, that vehicle then becomes the property of the insurer, unless a consumer wants to 'buy back' the salvage. Insurers negotiate different rates with salvage agents as to how much they will receive for any given vehicle based on its category. For example, some vehicles can be repaired and returned to the road or their parts are sought after, whereas others may be totally destroyed or can be broken for parts, but those parts aren't sought after.

In this case, Mr R sold the vehicle before a category was placed on it, but after he knew the insurer was looking to pay a claim for a total loss of the vehicle. He said he did this to cover the cost of the recovery and storage charges, but the subsequent categorisation of the vehicle left him open to a legal claim from the new owner as it rendered the vehicle effectively worthless.

I accept at the point Mr R sold the vehicle; AXA hadn't told him the charges would be covered under the claim. However, I'm also mindful that Mr R didn't ask AXA any questions about the charges or if there would be any issue with him selling the vehicle. So, in this case, I don't think AXA can be held responsible for the position he found himself in later, as AXA was required to register the total loss marker against the vehicle.

Mr R has questioned AXA's actions when it told him about needing to place a marker against the vehicle. It explained based on the damage sustained, it could technically be categorised in two different ways, but the main difference to Mr R would then be how much would be deducted from the settlement for the vehicle. This was based on how much AXA could have recovered had it disposed of the vehicle in its usual way through the salvage agent.

Mr R said he felt this was done to 'spite him' as AXA couldn't profit from the sale of the vehicle as it otherwise would have done. I don't agree, as I've explained AXA was required to take this action and I think it was fair that it set out both issues to Mr R. Especially as the subsequent categorisation would potentially impact any further action against Mr R by the new buyer (which as above, I wouldn't hold AXA responsible for).

In the end AXA and Mr R agreed that £1,500 would be deducted from the settlement of the vehicle which reflects the amount Mr R sold the vehicle for. I think was reasonable. The fact Mr R later returned this money to the new owner is not something I think AXA needs to address. As I've said above, I don't think AXA should be held responsible for the position Mr R later found himself in.

Settlement of recovery and storage costs

Mr R has sent AXA an invoice for the recovery and storage costs he paid. AXA has concerns about this invoice as the vehicle registration number is wrong, the total is incorrect, and it has concerns about the legitimacy of the business.

AXA has asked further questions of Mr R about the invoice and the business used. It has said until Mr R is able to provide satisfactory answers it will withhold the payment of this invoice. AXA is entitled to ensure all costs associated with a claim have been correctly incurred, so I don't intend to interfere in its decision here. Its concerns don't seem unreasonable in this instance.

I can see Mr R has since managed to get a corrected invoice from the company. So I can't see there should be any issue with him providing the further information AXA has requested to satisfy itself of the legitimacy of the business and costs incurred.

Service provided

As I mentioned above, I understand there were quite a few issues with this claim and the way it was conducted. Especially with the amounts payable to Mr R changing, this wasn't the best and caused concern and frustration. I've taken into account what Mr R has explained about each stage of the claim and how this impacted him and his thoughts on AXA's motivations behind doing what it did.

However, my role here is to bring this complaint to a conclusion and therefore I need to decide if what AXA has done to recognise the trouble and upset it caused to Mr R is sufficient.

AXA in total offered Mr R £750 compensation and £315 loss of use payment to reflect the three weeks it took it to review the repair estimate Mr R had provided. Overall, having considered everything I think this is fair and reasonable and it appropriately reflects the impact its poor service had on Mr R.

Having reviewed this complaint, I don't intend to ask AXA to do anything more than it already has done. I think it has settled the claim for the vehicle in a fair and reasonable way and the compensation it has offered to put matters right is satisfactory.

My final decision

My final decision is that I do not uphold Ms R and Mr R's complaint against AXA Insurance UK Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R and Mr R to accept or reject my decision before 24 November 2021.

Alison Gore
Ombudsman