

The complaint

Mr W complains AA Underwriting Insurance Company Limited have undervalued his car when paying out on a total loss claim under his motor insurance policy. Mr W's also unhappy with the delay in receiving the interim payment.

What happened

At the end of August 2021 Mr W's car was unfortunately hit by another party. He reported the claim, on 9 September 2021 called for an update, and was told his car had been declared a total loss. He was offered a value of £6,150 which he wasn't happy with, and AA then increased this offer to £6,300. After AA said they wouldn't increase this offer further, they attempted to pay him the money. Initially, this was by cheque, which Mr W received on 1 October 2021. On 4 October, Mr W checked his account and the cheque had been returned unpaid. He contacted the AA, who initially said they couldn't see why the payment had been returned but would arrange for it to be made by bank transfer. The money was eventually credited to Mr W's account on 13 October 2021.

AA explained they review industry trade guides which is how they came up with the figure of £6,150 – and said this was the average which is in line with how this kind of issue is generally looked at. They later increased this to £6,300 after Mr W complained but said they wouldn't increase it further.

Unhappy with this, Mr W asked us to look into things. He let us know his main concern was about the valuation, but he also wasn't happy with the cheque being returned unpaid, and for how long it took for the payment to actually reach his account.

One of our Investigators considered things and found the valuation AA had offered of £6,300 was fair. But she felt AA's customer service in getting the payment to Mr W wasn't good enough and awarded £100 compensation for this.

AA disputed the award of the £100. They explained following our Investigators outcome the cheque had bounced because Mr W's bank did a fraud check, but never contacted them. They also said it's their usual process to issue a cheque when there's a dispute over an interim payment – and at best the delay was five days. So, the complaint's 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.

Valuation

I can see our Investigator has explained in detail our approach to motor valuation complaints – which is Mr W's key point and which I can't see he's disputed with our service. I won't

explain this in the same detail, but I will say that the approach the AA is taking by using the average of the motor trade guides is what I'd usually expect.

I've seen the evidence of the trade guides they used – the figures came out at £6,580 and £5,725 meaning AA offered a middle figure of £6,150. After Mr W disputed this, they raised it to £6,300 but said that was their final offer.

I've noted Mr W sent in adverts which he says shows he can't buy another car to replace the one he's got – saying he had to extend the radius of the search to 30 miles from his location.

One of the adverts he provided showed the car was advertised at over £1,000 more and had more than 10,000 miles less on the odometer. So, I don't think this would necessarily be a fair comparison. And, on the other car, it was advertised at £500 more in price, with very similar features. But, as with any private sale, I'd expect there to be a margin of negotiation – and I don't find this difference persuasive enough to say it shows AA's valuation is lower than it should be. So, I can't fairly say the adverts prove AA have given a lower figure than they should have.

Taking all of that information into account, I think AA have acted fairly in giving Mr W a £6,300 valuation for his car.

Issues regarding the payment

It seems initially the payment was to be sent by cheque. AA have said this is their procedure in cases where the payment is disputed. They've not explained why this differs from their procedure when a customer accepts the valuation – as I can see an email from AA to Mr W on 10 September 2021 offering the original £6,150 figure and asking for his account details.

But what I can see from the emails and notes provided by both parties is that the cheque sent to Mr W was returned unpaid, and no one at AA was able to provide clarification on this. It took from when the payment was originally agreed on 20 September 2021, until 13 October 2021 for the money to be received in Mr W's account. I've seen Mr W called AA on multiple occasions to find out what was going on. I've noted AA's comments in response to our Investigators outcome that this was down to Mr W's bank not contacting them. But they've not provided any evidence of their contact with Mr W's bank to query what happened and why.

Mr W had contacted the AA about this the settlement of the claim multiple times – and says when the payment was finally agreed he wasn't asked for his account details. I've noted AA have said this isn't their procedure, and I don't have the authority to change their procedures. But, where their procedures have caused unnecessary inconvenience to someone, I can award compensation. The notes show Mr W contacting AA on multiple occasions, talking about long delays in getting through on the phone, to chase up the payment. So, to be told they didn't know why, and for him then not to be given an explanation for what happened isn't helpful. Had they made this payment by bank transfer it'd likely have avoided a lot of the issues Mr W has experienced. And, because I've not been provided with any evidence of AA's investigations with Mr W's bank, I can't confidently say they're not at fault for the cheque being returned either. So, I think £100 compensation for this is fair.

My final decision

For the reasons I've explained above I partially uphold this complaint and require AA Underwriting Insurance Company Limited to pay Mr W £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 March 2022.

Jon Pearce
Ombudsman