

## **The complaint**

Mrs B has complained that her motor insurer, U K Insurance Limited (UKI), sold her car after it was declared a total loss despite previously agreeing to her keeping the salvage.

All references to UKI include its agents. Mrs B's complaint was brought to us by Mr S but for ease I will refer to his comments as being Mrs B's.

## **What happened**

Mrs B's car was damaged in a road traffic accident and deemed a total loss. Mrs B agreed with UKI that she would keep the salvage (the car in its damaged state) and paid the salvage value of £1,547.70 to it. UKI agreed to return the salvage to Mrs B on a particular date but after a week went by without the car being returned, Mrs B got in touch with it to find out what had happened. UKI said that due to an error the car had been sold and that it wouldn't be possible to get it back.

Mrs B wasn't happy about this and complained. UKI apologised for the error and offered her £300 in compensation for the distress and inconvenience it caused her. It also returned the salvage fee back to her.

Mrs B didn't agree with UKI's proposed resolution and complained to us. She said she wanted either the car back or, if that was not possible, another car of the same value.

Our investigator who looked into the complaint obtained some further information from both parties. Mrs B said she had intended to have the car repaired and provided us with an estimate from her garage who said the repairs would cost £2,100. Mrs B said she felt she lost around £4,000 due to not being able to repair the car which, after the repair, would have been worth around £7,500.

In response to this UKI said that its own garage estimated the cost of repairs at £6,864.01, which is much higher than Mrs B's garage's estimate, especially bearing in mind that it has access to competitive rates and discounts. UKI also said that the date of the garage's estimate was after the car was disposed of and it therefore questioned how the garage was able to provide a detailed quote without seeing the car. It added that even if Mrs B had repaired the car it would not have been worth £7,500. It said its pre accident value was £7,370 and that having a salvage marker on it would have reduced its value even more.

Our investigator thought that UKI had made a mistake by selling the car and recommended a compensation award of £500. She didn't think any further compensation was warranted as UKI settled the claim in line with its policy terms which say it should pay Mrs B the market value of the car if it is a total loss.

UKI didn't agree and said it didn't feel that Mrs B's estimate should be used as a basis to justify the high level of compensation awarded by the investigator. It repeated that it didn't think that Mrs B's estimate was accurate or realistic and said that had the repair costs been £2,100 the car would not have been a total loss. It added that the chassis leg needed to be

replaced which is a significant cost in itself. It also said that it did what it was required to do under the policy by providing Mrs B with the market value and also said there was no evidence that Mrs B would have successfully sold the car.

Mrs B also didn't agree with our investigator and asked for an ombudsman's decision. She said that she was expecting more than £500 compensation and also that she found out that someone else has repaired the car and that it was valued more than £500. She added that the car was not UKI's property and that it had no right to dispose of it.

### **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 to uphold it for broadly the same reasons as our investigator. I will also be making the same award and I will explain why below.

The starting point is the policy which says that if the policyholder's car is damaged, UKI will pay for the repairs or repair it itself; replace what is lost or damaged if it's more cost effective than repairing it; or settle the claim by sending the policyholder a cheque or by bank transfer. The policy also says UKI will pay no more than the "*market value*" of the car at the time of the loss, less any excess.

The "*market value*" is defined in the policy as "*the cost of replacing your car with another of the same make and model and of a similar age and condition at the time of the accident or loss*".

UKI said the pre accident value was £7,370 and also that the salvage value was £1,545.70. As far as I am aware Mrs B agreed those values and also paid the salvage value to UKI so she could retain the salvage.

Under normal circumstances an insurer retains the salvage when a total loss claim is settled. Nevertheless, if a policyholder wants to keep the salvage we often think it is fair and reasonable for the insurer to agree to this. The policyholder then normally pays the insurer what the insurer would have received when disposing of the salvage. For these reasons, I think UKI's actions up to this point were in line with its policy terms and also fair and reasonable – specifically as it agreed for Mrs B to retain the salvage.

UKI has accepted that it made an error when it sold the car, after it had agreed to return it to Mrs B. It returned the salvage fee to Mrs B which I think was the right thing to do as it wasn't able to return the car itself to her.

Nevertheless, I do think that UKI's error caused Mrs B a certain degree of distress and inconvenience. Mrs B said she now has to go through the trouble of finding a new car, which wasn't something she had planned to do. I also note that it was only after Mrs B questioned UKI that it came to light that the car had been sold. Also, as UKI was aware, Mrs B is a key worker who works shifts including nights and needs access to a car perhaps more than others. I think this would have added to Mrs B's distress and inconvenience. I therefore agree with our investigator that £500 is appropriate in these circumstances for the distress and inconvenience Mrs B suffered.

Mrs B said that she would have repaired the car for £2,100 and that she would have sold it for around £7,500 and therefore lost out by not being able to do that. As I said above, the pre accident value was agreed at £7,370 and so I think it is unlikely that the car would have

been sold for £7,500 after the repairs were undertaken. I also agree with UKI that it is more likely than not that the car, as a former category S (structural damage which can be repaired) salvage car, would have been worth less after it was repaired than it was worth before the accident. In my experience, cars with salvage markers normally sell for less than equivalent cars that weren't a previous total loss.

UKI said that its own repair estimate, based on discounts and competitive rates, was £6,864.01 which is much higher than Mrs B's. UKI questioned the accuracy of Mrs B's garage's estimate and said it's unlikely the garage examined the car not least because it was in UKI's possession since the accident. I agree with UKI in that I also think it would have been difficult to provide an accurate estimate without inspecting the vehicle. Also, looking at the estimate itself it does not contain much detail in terms of the work required. I have also looked at the photographs in UKI's engineers report and I see that the damage sustained was quite substantial. Overall, I'm not persuaded that Mrs B suffered a financial loss due to UKI's failure.

### **Putting things right**

U K Insurance Limited must pay Mrs B £500 compensation.

### **My final decision**

For the reasons above, I've decided to uphold the complaint and require U K Insurance Limited to pay Mrs B £500 for the distress and inconvenience it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 1 August 2022.

Anastasia Serdari  
**Ombudsman**