DRN-3484326

The complaint

Mrs P complains that One Insurance Limited said her car was a total loss and about the settlement it offered her following a claim on her motor insurance policy.

What happened

One Insurance said the repair costs for Mrs P's car compared to its market value made it uneconomical to repair. And so it offered Mrs P £2,100, less deductions, for its market value. Mrs P was unhappy that her car had been written off as she said it was in good condition. She was also unhappy with the settlement One Insurance offered her.

Our Investigator recommended that the complaint should be upheld in part. He thought One Insurance had reasonably decided that Mrs P's car was beyond economical repair following an engineer's assessment. But he thought it hadn't followed our approach in valuing Mrs P's car. He thought it should increase its offer to £2,773.50 and also pay Mrs P interest on the difference between the original offer and this amount.

One Insurance replied that Mrs P had retained the car's salvage and it had paid her £800 in settlement of her claim. It said Mrs P had accepted this at the time. It calculated that Mrs P was due £336.75 because of the increased valuation. But it disagreed that it should pay this or add interest to this amount due to the car's pre-accident damage.

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.

Mrs P was unhappy that her car was deemed to be a total loss. But I can see from the engineer's report that the repair costs compared to the car's pre-incident value made it uneconomical to repair. So I can't say that it was wrong for One Insurance to decide this.

Mrs P was also unhappy with the valuation of her car. One Insurance said that she accepted this at the time. But I can see that Mrs P raised her concerns when she received the initial valuation and when she brought her complaint to us. So I think I can reasonably consider this here.

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second-hand vehicles.

We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also take into account regional variations. We also take all other available evidence into account, for example, engineer's reports.

I can see that One Insurance looked for valuations in two guides. But I can't see in one of these that the details it entered were correct and so I can't reasonably rely on it. In the other guide, One Insurance didn't use the retail transacted valuation, as it should have done in keeping with our approach. So I can't say that the valuation it initially offered Mrs P (£2,100) was fair or reasonable.

But our Investigator looked for valuations for Mrs P's car in the same guides and found them to range between £2,725 and £2,822. I can see that he looked for cars of the same make, model, age, mileage and condition as Mrs P's car at the date of the incident. Our approach when the guides offer a small range of values is to take an average. So I think £2,773.50, less any deductions, would be a fair and reasonable valuation of Mrs P's car made in keeping with our approach.

As One Insurance's offer was less than this, I think it should reasonably increase its settlement to this amount, less any deductions. One Insurance calculated this to be £336.75, which I can see is half the difference between the initial valuation and what Mrs P should have received, taking into account a deduction for the increased salvage value.

One Insurance said it had made deductions for the car's salvage and the policy excess. It also said that the car had pre-existing damage. But as it didn't apply a deduction for this at the time, I don't think it would be fair to do so more than two years after the claim was made.

Mrs P has been without her money for some time. Our approach is that where there is a difference between the interim settlement and the final settlement, then the insurer should add interest to this amount. And so I think One Insurance should add interest to its further payment to Mrs P for the time she has been without her money.

Putting things right

I require One Insurance Limited to do the following:

1. Pay Mrs P an additional £336.75 in settlement of her claim, adding interest to this amount at the rate of 8% per annum from the date of the initial settlement to the date of payment.
2. HM Revenue & Customs requires One Insurance to take off tax from this interest. One Insurance must give Mrs P a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require One Insurance Limited to carry out the redress set out above.
Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 20 June 2022.

Phillip Berechree
Ombudsman