

The complaint

Mrs D complains about how One Insurance Limited (One) dealt with a claim on her motor insurance policy.

What happened

Mrs D had motor insurance with One. Her car was involved in an accident and One decided it couldn't be economically repaired. In accordance with the terms of her policy, One offered her the market value of the car in settlement. However One said the car had previously been a write off and so it deducted 30% of the market value. Mrs D said she hadn't known the car was previously written off and she complained to One about the settlement amount, and also about delays in dealing with her claim.

One agreed there had been some delay in dealing with the claim and paid Mrs D £50 compensation. However One said it had provided Mrs D with the correct pre accident value of her car.

Mrs D wasn't happy with this and complained to this service. Our investigator partly upheld her complaint. She said a 20% deduction from the original settlement value of the car would have been fair. So she asked One to pay Mrs D 10% of the original settlement value, plus interest. But the investigator didn't uphold Mrs D's complaint about the service she received from One, saying there was a slight delay during the claim but that One had offered Mrs D £50 compensation for this.

Mrs D was happy with our investigator's suggestion, but One didn't agree, so the complaint has been passed to me for a 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.

I'm upholding Mrs D's complaint. I'll explain why.

This service would usually expect someone to do some sort of check on a car's history before buying it. Mrs D didn't do any checks. So it wouldn't be fair or reasonable to ask One to pay Mrs D the full settlement value of her car.

But in cases like this, we generally consider a deduction of up to 20% to be fair unless there was a good reason to deduct more. Our investigator asked One why it had deducted 30% in this case. One just provided evidence of the salvage offer for the car, which would be low for a car that had been written off before. So, I don't think the 30% deduction was fair and reasonable. I think a 20% deduction would have been reasonable.

My final decision

For the reasons given above, I uphold Mrs D's complaint. I require One Insurance Limited to pay Mrs D 10% of the original settlement value of the car, making the total paid the settlement value less 20%.

This to include interest at 8% a year simple from the date One Insurance Limited initially made a payment to settle the claim to the date of payment. If One Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs D how much it's taken off. It should also give Mrs D a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 12 September 2022.

Sarah Baalham
Ombudsman