

The complaint

Miss C complains about how AXA Insurance UK Plc (AXA) dealt with her claim following a car accident. References to AXA include other organisations acting on its behalf.

What happened

Miss C had motor insurance underwritten by AXA. Her car was badly damaged in an accident and AXA decided it was a total loss as the repairs would have cost more than the car was worth. AXA valued the car at £4919 and the estimated repair cost was £5408.01. Nonetheless Miss C decided to keep the car. She says AXA told her it would only pay 60% of the value of the vehicle for repair costs. Miss C says her partner spoke to her insurance broker who said this was only the case for cars less than one year old and AXA should pay the value of the car less the excess on the policy.

Miss C says she got a quote from a garage for £3011.25 to send to AXA, which was 60% of the car's value. She says she paid the extra £2,500 repair costs herself as she needed to get the car back on the road. AXA's engineers authorised the quote and AXA paid the £3011.25 to the garage.

AXA then offered Miss C £3738 less the £200 policy excess as a final settlement. Miss C said AXA should pay her the value of the car less the excess, i.e. £4719.

Miss C complained to AXA about the amount it had paid on the claim. AXA said when a vehicle is involved in an incident it follows one of the two routes - total loss settlement or repairing the vehicle. If the vehicle is deemed economical to repair, AXA will instruct its repair network to do so. If an estimate is received and the vehicle is beyond economical repair, AXA said it will instruct its salvage agents. AXA said it's standard business practice that if vehicle repairs come to more than 60% of the vehicle's valuation, it will deem this beyond economical repair.

AXA said due to the estimate from Miss C's own repairer being less than the 60% marker, its engineers agreed to authorise the repairs and cancel the instruction to salvage the vehicle via its agent.

Miss C wasn't happy with this and complained to this service. Our investigator upheld her complaint. He said AXA had said it would pay either the repair costs or the market value, but actually hadn't paid either. The investigator said to put things right AXA should pay Miss C the difference between the market value of the car after a reasonable salvage deduction and the £3011 already paid. He said AXA should also pay Miss C £200 for the distress and inconvenience caused.

AXA didn't agree, saying it would either pay for the repairs to a vehicle or write it off. AXA said in this case it had paid £3011 for the repairs.

Miss C didn't agree with the investigator's suggestion either, so the complaint has been passed to me. Miss C wants the extra £1718 which she says she is owed by AXA. She doesn't agree that any amount should be deducted for salvage.

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 uphold Miss C's complaint. I'll explain why.

On 25 May 2022 I issued a provisional decision. My provisional decision said:

I intend to uphold Miss C's complaint. I'll explain why.

When a vehicle has been damaged an insurer might decide it should be written-off (known as a total loss). This might be because of the type of damage to the vehicle or because the insurer thinks it's uneconomical to repair. It's not unusual for insurers to decide a vehicle is uneconomical to repair once the repair costs reach around 60-70% of its pre-accident market value.

Miss C's insurance policy booklet said:

"Loss of or damage to your car or spare parts

If your car, accessories or spare parts are lost, stolen or damaged, we will:

- repair the damage;*
- replace what is lost or damaged and is too expensive to repair; or*
- pay you the cost of the loss or damage.*

...Where your car is not recovered following a theft or is beyond economical repair we will pay you the market value of your car, including accessories and spare parts at the time they are lost, stolen or damaged.

If we settle a claim as a total loss, we will then take ownership of your car."

So the policy said that AXA would either pay repair costs or, if the car was beyond economical repair, the market value and keep the car.

Even though a car might not be economical to repair, it will still have some value, for example for parts or scrap. So AXA would pay the market value of the car less any excess to the policy holder, and then be able to sell the car as "salvage". However Miss C wanted to keep the car, so it was fair and reasonable for AXA to deduct the salvage value of the car from the market value when it offered her a settlement.

I've listened to a phone call between Miss C and AXA's salvage agent acting on its behalf. The call handler explained they were calling to discuss the engineer's report and settlement of the claim. The call handler said the car had been valued at £4,919 and there was a policy excess of £200. If Miss C wanted to keep the car, the call handler explained AXA would deduct salvage and pay her £3738 less £200 excess. Miss C's partner on her behalf said that she didn't dispute the valuation but didn't agree there should be any deduction for salvage.

When Miss C sent AXA the estimate for the repairs to her car, her covering email said:

"This work has been arranged to a budget incorrectly set by AXA and will not be a complete

repair to make good all damage caused in the accident to a pre-accident standard. We believe that the repair limit of 60% of the value of the vehicle is incorrect and we will be seeking compensation for the balance owed."

In response it seems that AXA just agreed the £3011.25 on the estimate, and didn't respond to or acknowledge Miss C's assertion that this wasn't actually the full cost of the repairs.

AXA states that in a claim like this it would either pay the market value less excess or the repair costs less excess. In Miss C's case it has done neither. In the phone call, AXA made Miss C an offer which it hasn't paid her. I don't think this is fair or reasonable. I think AXA needs to do more to settle Miss C's claim.

Miss C says AXA owes her £1718. She doesn't think that salvage should be deducted from the settlement figure. I don't agree. I have to decide what's fair and reasonable overall, and it wouldn't be fair for an insurer to lose out as a result of the consumer keeping their car.

Miss C has had to go to a considerable amount of time and inconvenience in trying to obtain a fair settlement for her claim. AXA also made a number of errors in dealing with the claim, including calling Miss C to arrange to collect the car after she'd said she wanted to keep it, and offering her a settlement for market value after agreeing the estimate for repairs. I think AXA should compensate Miss C for this.

My provisional decision

For the reasons given above, I intend to uphold Miss C's complaint. I intend to require AXA Insurance UK Plc to pay Miss C the market value of the car less the salvage, the excess and the amount it has already paid, plus interest. Based on the phone call from AXA's salvage agents, this would be £3783 less £200 less £3011.25 plus interest.

I also intend to require AXA Insurance UK Plc to pay Miss C £200 in recognition of the distress and inconvenience caused.

Responses to my provisional decision

AXA said it was happy to accept the provisional decision.

Miss C's partner on her behalf also accepted the provisional decision.

Having considered things again I see no reason to change my provisional decision.

My final decision

For the reasons given above, I uphold Miss C's complaint. I require AXA Insurance UK Plc to pay Miss C £571.75 plus interest at 8% a year simple from the date the original payment was made on this claim to the date of this payment. This is the market value of the car less the salvage, the excess and the amount already paid.

If AXA Insurance UK Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss C how much it's taken off. It should also give Miss C a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Miss C has had to go to a considerable amount of time and inconvenience in trying to obtain a fair settlement for her claim. AXA Insurance UK Plc also made a number of errors in dealing with the claim as set out above. So I also require AXA Insurance UK Plc to pay Miss

C £200 in recognition of the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 21 July 2022.

Sarah Baalham
Ombudsman