

The complaint

Mr J complains about how One Insurance Limited has handled a claim made on his motor insurance policy. He wants it to write off his car so he can buy it back and repair it himself.

What happened

Mr J's car was damaged whilst parked and One Insurance took it for repair. Its approved repairer said it needed two doors replaced and One Insurance authorised this. But after six months waiting for replacement doors, the repairer found that they were no longer available. One Insurance said it would then repair the doors.

But Mr J was unhappy with this as he thought the repairs would be evident. He wanted One Insurance to declare his car a total loss so that he could buy back the salvage and repair it himself. But One Insurance said it needed to mitigate the claim costs and the repairs would achieve this and restore his car.

Our Investigator recommended that the complaint should be upheld. He thought that if the doors were repairable and this would indemnify Mr J, then this should have been done in the first instance. He thought it was unfair for One Insurance to change its stance after keeping Mr J waiting so long. He saw that the repair costs, including replacing the doors, brought the car within the threshold for it being deemed a total loss. So he thought One Insurance should write off the car, and pay Mr J its pre-accident value, less the policy excess and the salvage value if he chose to buy it back.

One Insurance replied that only one door was unavailable. It said repair rather than replacing the door was the only available option. It said that if the claim was dealt with as a total loss, it would also deduct the cost of the non-returnable parts from any settlement. One Insurance didn't provide the costs for these deductions. And as it didn't make any further response to the Investigator's view, the complaint has come to me for a final 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 can understand that Mr J feels frustrated by the delay in the repairs to his car. I can see that up to the point he brought his complaint to us he had been given incorrect estimated completion dates on several occasions. This was unfortunate. But I think One Insurance had reasonably chased the garage for updates and the garage was seeking to obtain the doors from alternative suppliers, without success. Mr J is now unhappy that as the doors aren't available, then One Insurance wants to repair rather than replace them.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably. I can see stated in Mr J's policy document:

"Section 1 Accidental Damage

What Is Covered?

If your car is damaged by accident, vandalism or malicious damage, we may:

- *Pay the cost of repairs to your car.*
- *Replace what is lost or damaged.*
- *Make a settlement payment based on the cost of replacing your car at the time of the loss or damage, taking into account its make, model, age, mileage and circumstances of its purchase by you. This shall not exceed the estimate of value that you last gave to us."*

When Mr J reported his claim, One Insurance arranged for its approved repairer to assess the car. The engineer estimated the repair cost, including replacing the two damaged doors, at £3,478.66. He also commented that this cost may increase slightly if further damage was found. The engineer said the car's pre-accident market value was £5,750.00.

So the repair costs would be at least 60.5% of the car's value. The engineer asked One Insurance to authorise the repairs or deem the car to be a total loss. And One Insurance authorised repairs, in keeping with the policy's terms and conditions.

As the Investigator has explained, it's industry practice that an insurer will consider writing off a vehicle if the repairs cost around 60-70% of the market value. This is usually because the cost to the insurer of paying for repairs is more than it would lose on paying to write-off the vehicle, when also taking account of any amount it made on its salvage. We don't think this is unreasonable.

Having said that, sometimes insurers may choose not to write-off a car even if the repair costs were above 60-70% of its pre-accident market value. The decision to write-off a car has to be reasonable based on the cost of the repairs versus the market value. So, we'd need to consider the insurer's reasons for wanting to repair.

I think the original repair costs brought Mr J's car into the bracket where writing off the car would be considered. But I can't see from its file why One Insurance decided to repair the car rather than write it off as proposed by the engineer.

Six months later, when it was confirmed that the doors couldn't be replaced, One Insurance decided to authorise repairs rather than replace the doors. The costs were now significantly lower than the total loss threshold, £2,362.56, or 41% of the car's value.

One Insurance said that only one door now needed repairs. But I can see that the engineer's revised estimate includes the costs of repairing two doors. One Insurance said the repairs would indemnify Mr J. It relied on its qualified engineer's view that repairs would restore the car to its pre-accident condition. Given the amount of damage to be repaired, I can understand Mr J's concern that this may not be effective.

One Insurance hasn't explained why there has been a change in the engineer's view that replacing the doors rather than repairing them was necessary in order to restore the car's condition. One Insurance said that the original decision to replace rather than repair may have been made to keep down other costs, such as hire.

But I'm not satisfied that One Insurance has justified its decision about the repairs. I think it has now been left with one option and is seeking to justify it rather than declaring the car a total loss. So I think it's unreasonable for it to now decide to try to repair the car because parts aren't available.

I can understand that One Insurance wants to minimise claim costs. But I think this is unfair as it could have decided this at the outset. Mr J has been waiting so long for his car to be repaired and I'm not satisfied that One Insurance has justified its decision to repair the doors.

To resolve Mr J's complaint, I think it would be fair and reasonable for One Insurance to take the further option provided by the policy of declaring the car a total loss based on the original estimate. And it should make Mr J a payment of the car's pre-accident value, as already assessed, less the policy excess. This would allow Mr J to buy back the car's salvage, if he so wished, and make his own repairs. One Insurance wanted to deduct from the settlement the costs of the parts already bought. But I don't think this would be fair or reasonable as I don't think Mr J is responsible for this.

Putting things right

I require One Insurance Limited to write off Mr J's car, pay him it's pre-accident market value and provide him with the option to buy back the salvage if he so wishes – subject to any applicable policy excess and salvage deduction.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. 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 Mr J to accept or reject my decision before 6 October 2022.

Phillip Berechree
Ombudsman