

## **The complaint**

Mrs R and Mr R complain about how QIC Europe Ltd settled a claim on their motor insurance policy and disposed of their car's salvage. Mr R is a named driver on Mrs R's policy.

## **What happened**

Mrs R's car was involved in a collision and declared to be beyond economical repair and a Category N total loss. QIC made Mrs R an offer in settlement of her claim. But Mr R thought they couldn't replace the car for this amount. He repeatedly told QIC that they wanted to buy back the car's salvage and repair it.

QIC initially said it would consider this. But it later said this wasn't allowed under the policy's terms and conditions. QIC sent the car to auction and Mr R bought it back for more than its salvage value. He was unhappy with this and with QIC's settlement.

Our Investigator recommended that the complaint should be upheld in part. He thought QIC's settlement offer was within the range of valuations provided by the motor trade guides we use. So he thought it was fair and reasonable.

He thought QIC should have allowed Mr R to retain the car's salvage. And it should pay him £150 compensation for providing him with incorrect information. But he didn't think it was responsible for the costs Mr R incurred when he decided to buy back the salvage at auction.

Mr R replied providing evidence that he said showed the car had been undervalued. He also thought he wouldn't have incurred further costs but for QIC sending the car to auction before he had received its settlement.

## **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 was sorry to hear about the accident circumstances and the troubles that Mr R's family has suffered. I can understand that this has been a very difficult and stressful time for them.

I can also understand that Mr R wants a fair settlement for the loss of his car. Mrs R's policy provides for the car's market value in the case of its total loss. QIC said this was £11,018. But Mr R said they couldn't find a like for like replacement for less than about £19,000.

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to see 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. I can see that Mr R doesn't agree, but 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.

Our Investigator thought QIC's offer was fair and reasonable, so I've checked how he came to this conclusion. QIC said it had obtained valuations from two of the motor trade guides we

use and offered Mr R the average of these. QIC provided evidence of the valuations it had found. And the Investigator checked two further guides for valuations of the car at the date of its loss. I can see that the correct make, model, age, mileage, condition and optional extras were entered.

Mr R provided examples of similar cars sold for much higher prices. But I can see that these cars mostly have lower mileage and newer registration than Mrs R's car. Also, we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices.

I can see that QIC's valuation fell within the range of valuations provided by the four trade guides. And so I'm satisfied that this was a reasonable offer as it was made correctly in keeping with our approach. I don't require QIC to increase this.

Mr R said QIC disposed of the car's salvage without his consent and after he had said he wanted to retain it. Our approach is that when a car is "written off" and deemed a total loss under a motor insurance policy, as Mrs R's car was, the insurer, in this case QIC, becomes the owner of the salvage only after the consumer accepts payment of the car's full market value.

QIC's policy states that it doesn't permit the consumer to retain the salvage in the case of total loss. But our stance is that if the consumer asks to keep the salvage, we expect the insurer to allow this. The car is, after all, the consumer's property and they should have the right to keep it if they wish to do so. However, in that event, the insurer is entitled to deduct from its settlement offer what it would have been able to sell the salvage for.

Looking at the timeline of events, QIC paid Mrs R a sum that she accepted as an interim offer for the car's pre-loss value. But I'm satisfied that this was the car's full market value. QIC sent the car to auction after it paid the settlement to Mrs R, even though she didn't cash the cheque for some months.

However, I can see that when Mr R first notified the claim, he told QIC that he wanted to retain the salvage. But QIC didn't then make it clear that this wasn't provided by the policy's terms and conditions, though it did so later on. Mr R handed over the car to QIC's agents, but he thought this was for assessment, not for disposal. And so I'm not satisfied that QIC treated Mr R fairly.

I'm satisfied that Mr R should have been allowed to retain the car's salvage, despite what the policy said. I think QIC raised Mr R's expectation and caused him frustration and stress when he later found the car up for auction.

Our Investigator thought QIC should pay Mr R £150 compensation for this trouble and upset. I think that's fair and reasonable as it's in keeping with our published guidance for this level of impact.

Mr R decided to buy back the car at auction and incurred further costs. But I'm satisfied that this was his decision. And QIC had already settled the claim by paying Mrs R the car's full market value. So I can't hold QIC responsible for the extra costs Mr R incurred.

### **Putting things right**

I require QIC Europe Ltd to pay Mrs R £150 compensation for the distress and inconvenience caused by its handling of her claim.

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint in part. I require QIC Europe Ltd to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 30 December 2022.

Phillip Berechree  
**Ombudsman**