

## The complaint

Mr B complains about the settlement payment Acromas Insurance Company Limited (Acromas) offered for his car after it was written-off following an accident, under his motor insurance policy.

## What happened

Mr B was involved in an accident where another vehicle collided with the rear of his car. He contacted Acromas and it arranged for a hire car to be provided, whilst the damage was assessed. The car was considered to be a category S write-off and Acromas offered Mr B a settlement payment for £1,480 based on the average of the two valuations it obtained.

Mr B didn't think this was a fair valuation. On further consideration Acromas increased its offer to £1,775. It says this was the higher of the valuations it had obtained.

Mr B says this was still too low. He comments on the car having sports seats, alloy wheels, good tyres, as well as a good stereo system. He says he requested an inspection of the car, which wasn't carried out. He also says his car had done below average mileage, which should be factored into the valuation. Because he remained dissatisfied Mr B referred his complaint to our service.

Our investigator didn't uphold his complaint. She thought Acromas's approach to valuing the car was fair based on the industry trade guides. Mr B disagreed and asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

I issued a provisional decision in November 2022 explaining that I was intending to uphold Mr B's complaint. Here's what I said:

### *provisional findings*

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*I have seen the engineer's report arranged by Acromas in September 2021. This provides a detailed description of the condition of Mr B's car. It describes some pre-existing damage to the right front wing, some discolouration to the paint on the bonnet and a scuff/dent to the left rear door and wheel arch. The engineer reported the car to be in a fair condition pre-accident.*

*In the report the engineer says Mr B's car has sustained a rear impact. This has damaged the rear bumper, end brackets, rear panel/cross member, boot floor and both rear wings. It says checks will be required to the rear lights, exhaust, heat shields and wheel alignments. The engineer calculated the repairs costs at £3,800.56.*

*I have seen photos of Mr B's car that were included within the engineer's report. This*

*supports the condition of the car as reported. Given the cost of repairs is way in excess of the market valuations, the engineer concluded the car was beyond economical repair.*

*In his complaint correspondence I can see that Mr B says he is a qualified motor engineer and that he disagreed the car was a write-off. I acknowledge his comments, and that he wanted to inspect the car himself. I've read his policy terms to understand what is expected to happen here. The terms say:*

*"We have the right to choose which action to take in the case of any claim and we will do one of the following:*

- repair the damage; or*
- replace what is lost or damaged beyond economical repair; or*
- pay you cash for the amount of the loss or damage."*

*Based on this I think Acromas acted within the terms of its policy. It determined Mr B's car was a total loss based on its engineer's report. Given the repair costs are thought to be significantly higher than the car's value – I don't think Acromas's decision was unreasonable.*

*I can understand that Mr B wants the best possible settlement for the loss of his car. He says he can't find a like for like replacement for Acromas's offer. But I can't see that his policy provides for a like for like replacement. It provides a maximum payment in the event of a total loss, which is the market value of the vehicle at the time this occurred. This is defined in the policy booklet as:*

*"The cost of replacing your vehicle with a vehicle of the same make, model, specification, age, mileage and condition as your vehicle was immediately before the loss or damage you are claiming for. Where we are unable to estimate the market value of your vehicle we will use the nearest market equivalent for comparison."*

*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 the main 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 consider regional variations. We also take all other available evidence into account, for example, engineer's reports.*

*Our investigator thought the offer Acromas had made was fair. I've checked the valuations that were considered. I can see the correct make, model, age, mileage, features, and condition of Mr B's car were used in the valuations. These gave values of £1,185 and £1,775. Acromas initially offered the average of those two valuations, which came to £1,400. It later increased this to £1,775 as a goodwill gesture.*

*I don't think this approach was unreasonable. However, I did obtain a further valuation from another of the trade guides for comparison. I used the same details relating to Mr B's car as used in the previous trade guide valuations. This gave a market value of £2,766.*

*In circumstances where one of the valuations is significantly different to the others, we may discount this as an outlier. Based on these valuations I don't think there is an outlier. And because of the relatively low value of the car, this represents a significant difference. So, I think a fair outcome in these circumstances is to take the average of the three valuations, which amounts to £1908.67. It's reasonable that Acromas pays this amount in settlement of Mr B's claim, plus 8% simple interest on any unpaid amount, until the full payment is made.*

*The correct model for Mr B's car was used in the valuations. I acknowledge his point about the tyres, seats, and stereo. But I don't think it's been shown that this has an impact on the market value.*

*I understand that Mr B has raised issues relating to the time taken to handle his claim. This is being considered separately, so I can't consider it here. If he isn't satisfied with Acromas's response to this point he can of course refer the matter to our service for consideration.*

I said I was intending to uphold Mr B's complaint and that Acromas should:

- pay Mr B a total settlement payment of £1908.67, plus 8% simple interest on any unpaid amount from the date the settlement payment was offered until the full amount is paid.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Acromas responded to say Mr B had been allowed a longer period to request an ombudsman's decision than originally advised by our investigator. It asks that a plausible explanation is provided for this. It also says another trade guide was referenced in my provisional decision that it doesn't have access to.

Acromas says Mr B was invited to send in evidence that it would have considered alongside the trade guides it uses. It doesn't think it's fair to uphold Mr B's complaint for these reasons.

Mr B responded to say his car suffered no structural damage and Acromas didn't inspect his car. He says his car was "high quality" and he hasn't managed to find a replacement. Mr B disagrees with the engineer's report and doesn't believe his car should've been written off. He reiterates that he is a motor engineer himself and has provided some additional photos showing the damage caused to his car.

### **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 acknowledge Acromas's comments regarding Mr B's delayed response. He had asked for more time to respond to our investigator's initial findings. Mr B informed us that he had a trip planned that meant he wouldn't have time to respond in the timeframe given. Some additional time was allowed for Mr B to respond in light of this. I can see our investigator informed Acromas of this at the beginning of September 2022. I think this was reasonable.

When considering whether an insurer has acted fairly in establishing the market value of a vehicle, we refer to the industry trade guides – as I discussed in my provisional decision. There are four main trade guides widely used by the industry that we check to see if the valuation was established fairly. Acromas referenced two of these guides when valuing Mr B's car. We were able to obtain one more valuation, which resulted in an average value that was higher than Acromas had offered. I'm not persuaded by Acromas's comments that it was unreasonable to follow this approach here.

I've thought about Mr B's additional comments and I've also examined the photos he supplied. But I don't think this adds anything of significance to the information I've already considered.

The engineer's report provided by Acromas is detailed. It includes photos showing the

damage and costings for the repairs. The estimated cost of repairs is far in excess of the market value of Mr B's car, even when the value is increased to acknowledge the higher valuation we obtained.

I'm sorry that Mr B's car was determined to be a total loss. I understand that he was attached to the car and that he hasn't been able to find a suitable replacement. I can understand that he has found this situation upsetting. But having considered all the further comments and information, I'm not persuaded that a change to my provisional decision is warranted. I'm satisfied that this represents a fair outcome in these circumstances.

### **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Mr B's complaint. Acromas Insurance Company Limited should:

- pay Mr B a total settlement payment of £1908.67, plus 8% simple interest on any unpaid amount from the date the settlement payment was offered until the full amount is paid. \*If Acromas considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 January 2023.

Mike Waldron  
**Ombudsman**