

The complaint

Mr D complains about the amount Zurich Insurance PLC paid for his car after he claimed on his car insurance policy.

What happened

Mr D's car was damaged, so he claimed on his policy with Zurich. Zurich reviewed the claim and accepted it. They said due to the damage on Mr D's car it would be deemed what is known as a "total loss". Zurich valued Mr D's car at £16,000 but then paid him £11,500 after deducting the salvage amount for him retaining the car and the policy excess.

Mr D said this wasn't enough and provided Zurich with adverts to show similar cars being sold for over £20,000. Zurich reviewed these and said they didn't think they were like for like but agreed to increase the valuation to £17,000 and then to £17,830. Because Mr D had already had an interim payment of £11,500, Zurich paid him an additional £6,230 as he hadn't retained the salvage, so that had been deducted in error. Zurich also offered to have a second engineer review his car to get another valuation.

As Mr D wasn't happy with the valuation he complained. Zurich issued its final response after the second engineer had reviewed Mr D's car. The second engineer had reviewed Mr D's car and increased the valuation to £20,090. Because of this Zurich increased its offer in the final response letter and paid Mr D another £2,360. Mr D didn't think this was enough and referred his complaint here.

Our investigator reviewed the complaint and recommended it be upheld. She found that Zurich had only used one trade valuation guide when valuing Mr D's car. When she looked at the other guides, we used she recommended the valuation be increased to £20,879, she also recommended Zurich pay Mr D £200 for the distress and inconvenience caused.

Zurich agreed with our investigator's outcome and said they would arrange payment of the increased settlement and the compensation. Mr D agreed to the valuation but didn't think the compensation was enough. He didn't agree with £200 compensation and said he had to take out finance due to Zurich not paying enough initially and thought this should be covered too.

Our investigator reviewed the finance Mr D took out to buy another car but didn't think it was fair for Zurich to pay it as they'd made interim payments. She also thought the amount recommended for distress and inconvenience was sufficient. As Mr D didn't agree the complaint has come to me to decide.

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.

While Mr D initially came to this service regarding the valuation of his car, both parties have now agreed with our investigator's recommendation. So, I don't think I need to comment on this further.

I have however looked at whether Mr D has been sufficiently compensated for Zurich's error. I can see Zurich initially paid less than it should have in settlement for Mr D's car. This was then revised, and Zurich offered Mr D £17,000 before he took out finance for another car. While this wasn't the final valuation agreed upon, I do think it was Mr D's choice to take finance at this time. So, I'm not going to tell Zurich to cover the finance costs Mr D has incurred.

It is, however, our service's normal approach that when an insurer makes a mistake, they should add 8% simple interest per annum to the additional amount they pay if a consumer has been without money they should have had. This is to compensate someone for not having the money. I can't see Zurich has added interest to the additional payments they have made. Therefore, Zurich should add 8% simple interest to the additional payments made if not already done so. The interest should be calculated from the date of the first settlement payment, until the date each interim payment was made.

I've also considered the unnecessary distress and inconvenience Zurich caused Mr D. Mr D has had to dispute the settlement a couple of times and it was revised each time. And while I can appreciate that this this has been distressing and inconvenient for him, I'm satisfied £200 is a fair and reasonable amount of compensation. I say this because I can also see some of the delays in reaching the final settlement weren't down to Zurich, so it wouldn't be fair and reasonable to hold them responsible for those. Zurich therefore also needs to pay £200 for distress and inconvenience if not already done so.

My final decision

For the reasons explained above I uphold this complaint, I require Zurich Insurance Plc to:

1. Pay Mr D £20,879 as the value of his car, subject to the remaining policy terms, conditions and excess, if not already done so.
2. Add 8% simple interest per annum to the additional payments they made. This needs to be calculated from the date of the original settlement payment, until the date each interim payment was made.
3. Pay Mr D £200 for distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 January 2023.

Alex Newman
Ombudsman