

The complaint

Mr A has complained about his car insurer, Advantage Insurance Company Limited, in relation to a claim he made to it when his car was damaged in an accident.

What happened

Mr A had an accident in late November 2021. Advantage accepted his claim and felt his car was not economical to repair. It said it would settle with him for the market value of his car, less the excess. Mr A wanted to keep his car. On 6 December 2021 Advantage said the market value was £2,500. Mr A objected to this and on 21 December 2021, the same day Mr A was told the courtesy car would have to be returned, Advantage said it would increase that to £2,648. Mr A had to return the courtesy car, he was expecting Advantage to carry out another review and on 11 January 2022 Advantage said it would pay Mr A £2,403 as an interim payment (being the market value less his policy excess). Advantage then said it would not review the market value further. Mr A's policy was later cancelled.

Advantage noted that it had not deducted an amount from the settlement to allow Mr A to retain the car. It said it had not been aware he had wanted to do so before it paid the interim payment. It said the sum it would have deducted was £662.

Mr A complained to Advantage – about the value and the service received, including the cancellation. Advantage said it had settled the claim for the market value based on the highest values given in trade guides used for valuing vehicles. So it wasn't prepared to pay Mr A anything more. It accepted that its service had fallen short of its standards and said it would speak to Mr A about his current policy needs, following the policy cancellation, as it wasn't clear if he found cover elsewhere. It said it would pay £60 compensation.

Mr A remained unhappy and complained to the Financial Ombudsman Service. Advantage told us that it had closed the claim without demanding the retention fee from Mr A. It said he had benefitted from keeping his car without having to pay this sum. Further, whilst it was aware that Mr A had since taken out a new policy, at a cost, whilst not having been able to benefit from the remaining cover on his Advantage policy, Advantage felt that loss was balanced by the 'saving' Mr A had made on the retention fee. Mr A told us his replacement cover had cost him over £900, his cover with Advantage having totalled around £800 (£550 to start with, increasing in October 2021 when cover for business use was added).

Our Investigator felt that Advantage hadn't communicated well during the claim, that it should pay a total of £200 compensation. He noted that Mr A's policy had been cancelled but felt that, overall, with Advantage not pursuing Mr A for the retention fee, which was more than any pro-rated premium remaining on the policy, the claim and policy had been drawn to a fair and reasonable end.

Regarding the valuation, upon review, our Investigator noted that Advantage's settlement was based in part on a deduction of £170 for the car's condition. Our Investigator did not think that was fair given the age of the car and the problems noted. He said Advantage should pay a further £170 to Mr A, plus interest.

Advantage did not respond. Mr A was unhappy. He felt that this had gone on for a very long time, with Advantage having constantly dealt with him poorly and misleading him – £200 was insufficient. He said Advantage cancelling the policy as it did had meant he has had to declare this to future insurers. The complaint was passed to me for an Ombudsman's consideration.

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 understand that Mr A believes that his car was worth around £3,500, that Advantage's settlement was too low and did not take into account the condition of his car. And I can see that when looking at the market value, Advantage's loss adjuster did make a deduction from the average of the values returned by two of the trade guides used for determining the market value of vehicles. But most older cars have some degree of damage to them, so making a further deduction from the values returned by the guides, for the minimal damage described – marks on the bumper and scratched alloys, doesn't seem fair or reasonable. Simply, I don't think that is anything more than damage often found on a car of that age which, therefore, the values returned by the trade guides would already have accounted for.

So the trade guides Advantage considered returned values – for a car like Mr A's and taking into account its lower than average mileage – of £2,670 and £2,965. The average of those two (rounded up) is £2,818. I note our Investigator also checked other trade guide prices. He had access to three guides and returned the following values; £2,350, £2,670 and £3,095. I'm satisfied that £2,818 sits within the range of those values. I'm satisfied that £2,818 is a fair and reasonable market value for Mr A's car. As such I'm going to require Advantage to pay an extra £170 to Mr A being the amount Advantage's engineer unfairly deducted from that fair market value sum.

I appreciate that Mr A may still think that £2,818 is too low. But this service usually finds the trade guides to be reliable sources for determining market values. And if an insurer settles a claim using a market value that is in the range of the trade guide values available, we'll likely find that is fair and reasonable. Unless, of course, there is compelling evidence available of the car in question having a value which the trade guides can't or don't account for in some way. And I've seen nothing like that here. In saying that I'd explain that we don't usually find sales adverts compelling evidence of market value because they only present the asking price for a car – they don't show what cars actually sell for. So I'm satisfied that £2,818 is a fair and reasonable market value on this occasion.

I know Mr A is unhappy that Advantage cancelled his policy. But that is the usual course of action following a car being declared a total loss. I can see that some misunderstanding occurred here because Mr A wanted to keep his car – but Advantage paid him the settlement sum without making a deduction for the car's salvage value. Because Mr A's car was a total loss that, technically, made it Advantage's property. And Advantage would usually sell a car like this, allowing it to make some money. So, to Advantage, the car had a 'salvage value'. Advantage's file here shows that it didn't apply a salvage value to the settlement because it knew Mr A was disputing the same. Unfortunately that meant that Advantage's file wasn't updated to reflect that Mr A was keeping the car and, therefore, might need to retain the policy cover. So Advantage sent its standard cancellation notice to Mr A and the policy ended as it usually would where Advantage becomes the owner of a total loss car.

I can see why that was frustrating for Mr A. Not least as when Mr A received the letter stating that the policy would be cancelled, he says he emailed Advantage to say cancellation wasn't

necessary as he was keeping the car. I know Mr A got no reply to that email. But also that no email in this respect is showing from Mr A on Advantage's file. Advantage should have managed the claim settlement better – which would likely have avoided the situation arising where the policy was put forward for cancellation. But when Advantage didn't respond to Mr A's attempted contact, Mr A assumed that meant his policy wouldn't end. And I don't think that was a reasonable assumption for Mr A to make. But because Advantage had set the policy on course for cancellation, and Mr A didn't chase Advantage to make sure that was not going to happen, the policy ended. Reasonable action by either party would have prevented the situation where the policy came to an end. Just as I think Advantage should have done more in this instance, I think Mr A, as a responsible car driver, should have done more too.

With the policy ending as it did Mr A had to find alternate cover. I know that came at a price – and he had already paid his full year's premium for cover to Advantage. Because the claim was settled on the basis of the car being a total loss, Mr A wasn't, strictly speaking entitled to a refund for the months of cover not used. But it seems, subject I expect to the car being repaired, that Advantage would have continued cover for the remainder of the year – but for the salvage and cancellation mix-up. Before Mr A added business use to his policy shortly before the accident, Mr A had paid £550 for cover for the year, which began in August 2021 and, after the accident happened in November, the policy was cancelled in February 2022. So Mr A had six-months of cover, albeit two and a half of those months followed the total loss accident. And if his policy would have remained in place, he'd have had a further six-months of cover, including for business use, which had already been paid for – worth about £425 in total (£275 for standard cover and £150 for the additional business use). But the mix-up over the salvage meant Mr A lost the chance to benefit from that money. And he had to take out a new policy sooner than he otherwise would have done. But the mix-up also meant that he gained extra money in his total loss settlement because Advantage did not deduct £662 from that sum as its salvage value. And Advantage has confirmed it will not be asking Mr A to pay that sum back to it. To me that feels like a fair outcome – both failed to act reasonably which provided the circumstances in which the policy was cancelled when it otherwise would not have been, but both have simultaneously lost and gained in roughly equal proportions from that whole situation. I certainly don't think that Mr A is worse off than he otherwise would have been.

In saying that I note that Mr A is concerned that his new policy cost more – and that he will continue to see an impact in that respect as he tells insurers that his policy was cancelled. However, I don't think Mr A has seen much of an increase for his new cover. He has said it was about £900 – which is not really much more than the total price for his previous cover which cost about £800. And on the old cover Mr A only added business use part way through the policy year – so £800 does not represent a full year's cost of cover. I'm also mindful that all insurers view and rate risks differently, and not all will rate negatively on cancellations that occur following a total loss claim. It also isn't clear that the cancellation is what caused the new insurance to cost more. As such, I'm not persuaded there is a loss in this respect. Although, if there were, I'd have to bear in mind what I've said about Mr A having had the chance to prevent the cancellation from occurring.

I think it's also fair to say though that Mr A receiving no reply from Advantage was not an isolated incident during the course of the claim. I note Advantage, in its final response letter, acknowledges and accepts that. So I accept that communication from Advantage was not good during the claim and that was frustrating for Mr A, particularly when he was led to believe there would be a further valuation review.

I also note that in the early stages of the claim Mr A was given the benefit of a courtesy car, and that this provision continued whilst the total loss settlement was initially negotiated. But also that around two-weeks into that negotiation, Advantage ended the agreement abruptly.

I'm conscious that many policies out there do not offer a courtesy car for policyholders where their car is determined to be a total loss. And Mr A's policy reflects that. So, him having the courtesy car at all after the total loss decision was made, was an additional benefit to him which the policy did not entitle him to. And I can understand why Advantage ended the provision. But I think the situation, when Advantage decided to revoke the courtesy car, could have been handled better by it, which would have avoided much of the frustration and inconvenience Mr A was caused.

Overall I'm satisfied that Advantage failed Mr A, and that its offer of £60 compensation is not fair and reasonable to make up for the upset caused. I'm further satisfied that £200 is fair and reasonable compensation in the circumstances here.

Putting things right

I require Advantage to pay Mr A:

- £170 as an additional settlement for his claim, plus interest* from the date the main settlement payment was made, until this sum is paid.
- £200 total compensation, but if £60 has already been paid, then only the difference remaining needs to be paid.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Advantage to take off tax from this interest. If asked, it must give Mr A a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Advantage Insurance Company Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 April 2023.

Fiona Robinson
Ombudsman