

The complaint

Mr H complains about how Covea Insurance Plc settled his motor insurance claim.

What happened

Mr H took out motor insurance through Covea. In December 2022 Mr H's car was damaged as a result of poor weather conditions, and he made a claim against his motor insurance policy. Mr H's car was deemed beyond economical repair – a write off. Covea offered to settle his claim based on the pre accident valuation (PAV) of his car. But Mr H wasn't happy about the valuation they offered him. He made several calls to Covea, and they reconsidered the offer. Covea increased the PAV from their first offer of £1,025, to £1,127.50, to £1,400 and finally £1,790.

Mr H accepted the final PAV amount, but he wanted his car returned to him, Covea agreed to sell the salvage. But Mr H said that the way they calculated the salvage wasn't fair as the amount increased alongside his PAV offer. This meant the amount deducted from his PAV was more each time his valuation was increased from around £185, to £203, £252 and £322.80 respectively. Mr H didn't think this was fair as he said the salvage should be static, a onetime amount, once offered it shouldn't be increased. Mr H also said when he'd called Covea they'd tried to dissuade him from seeking a higher valuation for his car.

Mr H complained to Covea he said they'd acted without integrity in trying to offer him a low PAV, asking too much for the salvage and in providing poor customer service.

Covea said they normally used the business standard guides for calculating the PAV but this hadn't been possible, so they'd calculated Mr H's PAV by online comparison. They said their process for calculating the sale of salvage is percentage based, with the percentages calculated on a valuation band. For Mr H the valuations for his car fell within the 18% band.

Mr H wasn't happy with Covea's response and referred his complaint to us.

Our investigator said it wasn't unusual to see some movement on a PAV offer, but the process had caused Mr H some unnecessary distress and inconvenience, he said Covea should pay Mr H £150 to compensate him for this. He said a call Mr H had with Covea, while he said the agent had tried to explain the process to Mr H they could have handled it better, and he asked Covea to pay Mr H £50 to compensate him for this. But he didn't think Covea had acted unfairly in applying their business process for calculating the sale of salvage.

Mr H didn't agree he said Covea had been duplicitous in trying to offer him as little as possible and had tried to pressure him into agreeing to a low offer. He also wanted an explanation as to how Covea can sell the salvage on a percentage basis. Mr H asked for an ombudsman 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.

In his complaint, Mr H has made several points and I've considered all of these carefully. But, in this decision, I will focus on what I consider to be the key issues. My role is to decide if Covea have dealt with Mr H in a fair and reasonable way.

Pre accident valuation

Mr H's policy says: *"The insurer will not pay more than the market value of the car....."*

When an insurer is assessing the PAV of a car, I'd expect them to use the retail figures published in the trade guides and to consider the condition of the car before the accident. Assessing the value of a used vehicle isn't an exact science. We usually find the trade guides are persuasive evidence because they are based on research of likely selling prices. Advertisements are less persuasive because they often contain asking prices that are higher than negotiated selling prices. The guides we generally use are Glass's, CAP's, Cazoo and Autotrader.

I can see the guide valuations for Mr H's car ranged from £939 (Cazoo), £1,490 (Glass's) and £2,095 (CAP's), there wasn't a valuation available from Autotrader. I can also see we considered two online examples, £1,490 and £1,995 respectively. So, all the PAV offers made by Covea to Mr H fell within the range of the guides. And their final offer of £1,790 is within the higher end of the range so I think the final offer made by Covea is fair and reasonable. But they said they hadn't considered the guides when calculating Mr H's PAV offer but had used a comparison of cars for sale online. The examples we saw showed a sale price of £1,490 and £1,995, so I agree with our investigator that Covea caused Mr H unnecessary distress and inconvenience in the way they reached the PAV for his car as the first offer they made was below the online comparators. Covea should pay Mr H £150 to compensate for this.

Sale of salvage

Where a vehicle's been damaged an insurer might decide it should be written-off. This can be because the insurer thinks it's uneconomical to repair. It's not unusual for insurers to decide a vehicle's uneconomical to repair once the repair costs reach around 60-70% of its PAV.

Under normal circumstances when a business settles a total loss claim under a motor policy they retain the salvage (which means they take possession of the vehicle in its damaged state). Once the insurer settles a claim as a total loss, the vehicle belongs to them and it's accepted that as the vehicle now belongs to them, they can charge a consumer for the sale of the salvage. So, when a consumer wants their vehicle back, as is the case here, it's reasonable for the insurer to charge for that. Insurers will often have some sort of arrangement with a salvage dealer for disposing of the salvage and will receive an amount for each vehicle in accordance with the contract agreed. This is sometimes an agreed percentage of the vehicle's PAV. So, as Mr H wanted his car back, I don't think it's unfair for Covea to sell the salvage to him for what they would have got for it from their salvage agents, as long as that's not an unreasonably high percentage of the car's market value.

Covea's policy terms don't say what percentage of the car's market value will be charged where a policyholder wants to keep the salvage of their car. Covea has shown the band for Mr H's car is 18% of the trade valuation, which taking into account the estimated

repairs costs would be around 60% to 70% I consider is within the range of reasonableness. And so, I think it's reasonable for them to deduct that sum from the amount offered to settle Mr H's claim.

Covea does have a duty to treat its customers fairly. Covea has shown its a commercial decision to base their sale of salvage on a percentage of the total trade value, which a business such as Covea is entitled to do. Provided the percentage fee isn't exceptionally high, which I don't think it is here, and they would apply this to all their customers in the same or similar situations, then I don't think Covea has acted unfairly or unreasonable. So, they can adjust the salvage fee to reflect the higher settlement sum as a percentage of the PAV.

Customer service

I've listened to calls Mr H had with Covea. And I agree with our investigator, Covea's agent in the call 09 January 2023 tried to explain to Mr H that the "*scrap value*" of his car would be affected by the PAV as it was based on a percentage. Its clear from the call the agent was unsure of the precise percentage bands but I think he tried to make Mr H aware that the percentage applied to his PAV could see the sale of the salvage increase from 18% to 22%. I'm satisfied the agent wasn't trying to pressure Mr H into accepting a lower valuation but was attempting to explain the sale of salvage process to him. A better explanation could have been given, and the agent could have checked the actual percentage bands that would apply to the PAV for Mr H's car. To compensate Mr H for the distress and inconvenience this caused, I think Covea should pay him £50.

Putting things right

I know Mr H was frustrated with how Covea handled his claim, but I think it's reasonable to expect a degree of inconvenience when dealing with an accident claim which by its nature is a distressing situation. But I think Covea in how they handled Mr H's claim added to the distress and inconvenience. To put this right Covea Insurance Plc should, if they haven't already done so pay Mr H in total £200 for the distress and inconvenience caused.

My final decision

I uphold this complaint. And ask Covea Insurance Plc to pay Mr H £200 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 August 2023.

Anne Scarr
Ombudsman