

## **The complaint**

Mrs S complains that Aviva Insurance Limited hasn't offered a fair settlement for the total loss of her vehicle after a claim was made on her motor insurance policy.

## **What happened**

In 2022, Mrs S was involved in a car accident which caused damage to her vehicle. So she made a claim to Aviva under her motor insurance policy. Aviva assessed the damage and deemed the car to be a total loss.

Mrs S didn't want her car to be written off, so she obtained a quote from a local garage which estimated the cost of repairs to be less than the value of the car. Mrs S asked Aviva to pay for the repairs, as she didn't think the car was beyond economical repair. But Aviva didn't agree.

Aviva offered to pay £3,645 for the total loss of the car – minus the policy excess of £330 and 25% for the salvage (as Mrs S wants to keep the vehicle).

Mrs S complained that the offer was too low, and she was unhappy with the length of time it took Aviva to progress her claim.

Aviva was satisfied its settlement offer was fair. But it acknowledged there were delays with its handling of the claim and offered £300 compensation for what went wrong. It also said it could've offered the claim settlement two months earlier than it did, so it's offered 8% simple interest for 60 days on the £3,645 – which it says amounts to £47.93.

Mrs S remained unhappy, so she brought her complaint to our Service. Our Investigator considered Aviva's offer to be too low and she asked it to increase the offer to £5,607.75 – but that it could deduct the policy excess and salvage from this amount. She was satisfied the compensation offered fairly reflected the delays in the claim and didn't think Aviva needed to do anymore.

Aviva accepted the increased settlement, which it said amounted to a further £230.82. But Mrs S didn't agree. She raised the following complaint points:

- Aviva shouldn't have written off her car as she had a quote proving it was economical to repair.
- Aviva had asked its garage to add on more repairs than what was reasonably required in order to push it over the threshold to be written off.
- The settlement offer isn't enough to have the car repaired.
- The market value of the car will be much less now that it's been written off, even after she's repaired it.

The complaint has been passed 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.

### *Claim decision*

The terms and conditions of Mrs S' motor insurance policy allows Aviva to settle a claim as it sees fit. This means it doesn't need Mrs S' approval of any decision on how it chooses to resolve or record a claim. I've considered whether the decision it made is fair and reasonable in the circumstances.

Having reviewed the engineer's report provided by Aviva's repairers, I can't see anything obvious that's been added which doesn't need to be repaired. So I'm satisfied Aviva was entitled to rely on this report when making its claims decision.

I appreciate Mrs S obtained a quote which was lower. Whilst I haven't seen the report from her garage, I'm aware they quoted around £4,500. This is less than the market value, but that doesn't necessarily mean the car was economical to repair. Our general approach to complaints of this nature is that anything exceeding 60-70% of the market value is likely to be uneconomical. In this case, Mrs S' quote is over 80% of the market value.

Because of this, I'm satisfied Aviva's decision to write off the car was fair and reasonable.

### *Market value*

For clarity, it's not my role to work out the exact value of Mrs S' car. What I need to decide is whether Aviva has applied the terms of the policy correctly and valued the vehicle fairly.

Mrs S' policy says that Aviva will pay the market value of the car, less any policy excess, in the event of a total loss. The policy defines the market value as...

*"The cost of replacing your car with one of the same make, model, specification and condition. The market value may also be affected by other factors such as mileage, MOT status (if one is required), how you purchased your car and whether it has been previously declared a total loss."*

Assessing the value of a used car isn't an exact science. However, like most insurers, our Service often finds the motor trade guides persuasive. This is because their valuations are based on nationwide research, and they show likely selling prices at the month of loss. The guides also allow for the specifications of most cars to be taken into consideration including any extras. This is particularly helpful, as factors such as the age and mileage of a car can have a big impact on its value.

We also think motor trade guides are generally more reliable than car adverts as asking prices in adverts tend to be inflated to allow room for downward negotiation.

I've reviewed the trade guide valuations provided by Aviva, as well as the ones obtained by our Investigator which were slightly higher, as follows: £5,175, £5,690, £5,706, and £5,860. I can confirm all these values were based on the correct specification for Mrs S' car and the correct month of loss. We'd usually expect an insurer to provide a value that falls within the range of values suggested by the guides. There is no requirement for them to offer the highest amount, so I think the average of these figures – which is £5,607.75 – as suggested by our Investigator, is fair in the circumstances.

### *Claim settlement*

Under normal circumstances when a business settles a total loss claim under a motor policy it retains the salvage (which means it takes possession of the vehicle in its damaged state).

But Mrs S wanted to keep her car and repair it. Aviva has allowed her to do so, but it's entitled to deduct the amount it would've received when disposing of the salvage from the claims settlement. Aviva says this is 25% of the market value. This brings the claim settlement to £4,205.82.

I appreciate Mrs S can't repair her car for that amount. But it was her decision to retain the salvage and she had the option to choose the full total loss settlement instead of keeping the car.

Mrs S' policy has an excess of £330 which means she has to pay the first £330 of a claim. As such, Aviva are entitled to deduct this amount from the claim payment – which brings the total amount payable to £3,875.81. As Aviva has already paid £3,645, this leaves an additional £230.81 to pay.

### *Customer service*

Mrs S is unhappy with the service she received from Aviva due to the length of time it took to progress her claim. She made her claim in August 2022 but didn't receive a final claims decision until November 2022 – approximately three months later.

Given that Aviva had the information it needed to conclude the claim, there were no justifiable reasons for things to take this long – and Aviva acknowledges that.

I've thought about the impact the distress and inconvenience caused to Mrs S would've had on her and I'm satisfied that the £300 compensation already offered is in line with what I would've awarded on this complaint. Aviva has also offered to pay 8% interest on the settlement offer for the 60 days it was delayed.

I think this is fair in the circumstances of the complaint so I'm not asking Aviva to do anything more.

### **My final decision**

For the reasons I've explained, I uphold this complaint and direct Aviva Insurance Limited to pay £230.81 to Mrs S in regard to the market value of her car. If Aviva hasn't already paid the compensation and interest offered, totalling £347.93, it should arrange for this payment to be made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 17 July 2023.

Sheryl Sibley  
**Ombudsman**