

The complaint

Mrs W complains about how her insurer, Tesco Underwriting Limited (Tesco), handled a claim under her motor insurance policy following an accident involving her vehicle.

Any reference to Tesco in this decision includes their agents.

What happened

In May 2022 Mrs W's vehicle was involved in a collision with another vehicle (liability for accident was subsequently accepted by the third party's insurer). She contacted Tesco to tell them about the accident and lodge a claim. Tesco sent an engineer to assess the damage to the vehicle. Due to the extent of the damage and the age and mileage of the vehicle, Tesco assessed the vehicle as a total loss. Mrs W was provided with a courtesy car under the terms of her policy (although not until five days after the accident but was extended to shortly after she subsequently accepted Tesco's interim payment offer).

They offered an interim payment for the vehicle based on a value of £5,500 (less £400 policy excess, leaving a net settlement of £5,100). Mrs W declined the offer (but advised she might want to retain the vehicle as salvage). Being unhappy with the valuation of her vehicle, she complained to Tesco. They didn't uphold the complaint, saying they thought the valuation of £5,500 was a fair reflection of the market value of the vehicle (which was increased by £400 to reflect the vehicle having a below average mileage for its age). Tesco also referred to two recognised industry valuation guides which (on a retail value basis) provided valuations of £5,040 and £4,975. But considering current market valuation trends, Tesco considered the valuation of £5,500 was fair.

A few days later Mrs W accepted the offer but said she didn't want to retain the salvage. Tesco advised her the vehicle would be disposed of (although Mrs W maintained she'd been told the vehicle would be scrapped). A week later Mrs W contacted Tesco to say she wanted to retain the salvage, but Tesco said the vehicle had been disposed of by the salvage company (given she'd indicated she didn't want to keep it).

Mrs W subsequently purchased a replacement vehicle (at a higher cost than the settlement received for her old vehicle). When she informed Tesco of the new vehicle, she was told the policy premium would increase significantly (she said nearly doubled). But if she cancelled the policy Tesco would retain the full year's premium. Mrs W said she felt pressured into staying with Tesco. Tesco subsequently said that as a claim was outstanding at the time (and liability not determined) if Mrs W chose to cancel her policy they would (under the policy terms and conditions) be able to keep the full premium, pending the outcome of the claim (and liability).

Mrs W was also unhappy with the courtesy car provided, as it wasn't large enough for the needs of her family. She complained to Tesco about it, and they refunded that part of the premium she'd paid for an upgraded courtesy car. They also provided a larger courtesy car.

Mrs W was subsequently contacted in October 2022 by a third party (who'd bought the vehicle as salvage) asking Mrs W for the codes for the vehicle's entertainment unit. Unhappy

at being told the vehicle would be scrapped but then being contacted by a third party, Mrs W raised a separate complaint.

Tesco didn't uphold the complaint, referring to the call where Mrs W accepted the interim payment and said she didn't want to keep the vehicle. Tesco said Mrs W was told the vehicle would be disposed of (not 'scrapped') and noted the vehicle was collected by their salvage agent two days later (five days before Mrs W called Tesco to say she wanted to keep the vehicle. Tesco said that once the interim payment was made (and the vehicle collected by the salvage agent) they couldn't allow Mrs W to keep the vehicle. At that point, it was for the salvage agent to dispose of the vehicle (either by selling or scrapping it).

Mrs W then complained to this service. Her complaint contained several elements, including: the valuation of her vehicle as a total loss; her not being able to keep her vehicle and it subsequently being disposed of to a third party (who contacted her for the entertainment unit code); issues with the courtesy car provided after the accident; the continuation of her policy (when she purchased a replacement vehicle) and the increase in premium.

Our investigator upheld the complaint in part. She thought Tesco's valuation was fair, based on recognised industry valuation guide figures. On the car being disposed of, she noted Mrs W had said she didn't want to keep the vehicle (when accepting the interim payment). And the vehicle was then collected by the salvage agent, who sold it. Mrs W was told the car would be 'disposed of' (but not scrapped). So, the investigator concluded Tesco hadn't done anything wrong (as the vehicle became their property once Mrs W accepted the interim payment, so it was up to them to determine how to dispose of it). On being contacted by the third-party purchaser of the vehicle, as there wasn't any direct evidence to support this (and Tesco and the salvage agent denied passing on Mrs W's details) the investigator wasn't able to conclude on the issue.

On the courtesy car issues, the investigator noted Tesco had refunded the upgraded courtesy car premium and provided a larger vehicle (an equivalent size) when she complained. And the hire was extended. So, the investigator wouldn't be asking Tesco to take any further action.

On the continuation of the policy (at a higher premium) the investigator concluded the incidence of a claim would have likely increased the premium (given liability was only accepted by the third-party insurer sometime later). But the call handler didn't tell Mrs W that should the claim be settled as non-fault (which it subsequently was) she would only be charged for the time on cover (had she chosen to cancel) and not charged the full year's premium. As Mrs W wasn't made aware of this, she could have cancelled her policy (and found cheaper cover elsewhere) and then received a repayment of the full year premium (adjusted for time on cover). The investigator thought Tesco should recalculate the premium based on the claim subsequently being settled as no-fault (and add interest). For the distress and inconvenience this had caused Mrs W, Tesco should pay £100 compensation.

As Tesco didn't respond to the investigator's view, the complaint has been passed to me to consider.

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.

My role here is to decide whether Tesco has acted fairly towards Mrs W.

There are several issues in Mrs W's complaint, which I'll consider in turn.

Valuation of the vehicle

On the issue of the valuation of Mrs W's vehicle, I've considered the information and evidence available. Tesco say their market valuation (which is what the policy provides for when a vehicle is deemed a total loss) is fair and reasonable, citing industry valuation guide figures to support their valuation of £5,500 (based on figures of £5,040 and £4,975 from two guides). Tesco also applied an uplift to reflect Mrs W's vehicle having lower than average mileage for its age.

I've also looked the valuation figures from the recognised industry guides used by this service (two of which are those used by Tesco). Discounting one that is significantly different from the other three, the average of the three is £5,344. Which is slightly less than the valuation used by Tesco. So, I've concluded Tesco acted fairly and reasonably in making an offer based on a valuation of £5,500. And it would be in accordance with the policy terms and conditions for the policy excess (£400 in this case) to be deducted from the valuation to determine a settlement figure (which is what Tesco did).

When the claim was subsequently settled on a no-fault basis (the third-party insurer accepted liability) the excess deduction would be considered an uninsured loss and would need to be pursued with the third-party insurer (I believe Mrs W had legal expenses cover on her policy, which she could consider for this purpose).

Disposal of the vehicle

Mrs W is unhappy she couldn't keep the vehicle after it was declared a total loss, saying she was told it would be scrapped (so she couldn't keep it). Tesco say she was told it was to be disposed of (not scrapped). And as the vehicle was collected two days after the interim payment was accepted (and Mrs W had indicated she didn't want to keep the vehicle) then they acted fairly in accordance with standard practice.

Looking at what happened, Mrs W was told (when she contacted Tesco to accept their offer – and that she didn't want to keep the vehicle) the vehicle was to be disposed of (not scrapped). And as she'd indicate she didn't want to keep it, I think it was reasonable for Tesco to then arrange for their salvage agent to collect it and dispose of it. Having accepted Tesco's interim payment for the vehicle, it then became the property of Tesco and so their decision what to do with it. Disposing of it through their salvage agent is reasonable in the circumstances. It would then be for the agent to determine what to do with the vehicle. In this case (given the damage category to which the vehicle was assigned by the engineer who inspected it) it wasn't unreasonable for the vehicle to be sold (as was the case). So, I've concluded Tesco haven't done anything unfair or unreasonable.

On the point about Mrs W being contacted by the new third-party owner, I've not seen evidence to indicate this happened (other than Mrs W telling us she was contacted). While I'm not doubting what she's said, Tesco (and the salvage agent) have denied passing on her contact details. So, without clear evidence it was Tesco – which may be less likely as the sale of the vehicle would have been carried out by the salvage agent – I can't reasonably conclude they've acted unreasonably.

Courtesy car

Mrs W is unhappy at the provision of a courtesy car, saying it was too small for her needs. And it was only upgraded when she complained. While Tesco haven't formally responded to this issue as part of their final response, I've considered what the information and evidence indicates about this issue. From what I've seen, Mrs W had taken out (at an additional

premium) an option for an upgraded courtesy car. There were issues locating a suitable courtesy car until a few days after the accident. And this was subsequently changed when Mrs W complained it wasn't large enough to accommodate the needs of her family. The hire period was also extended for a few days after she accepted the interim payment (at which point the entitlement to a courtesy car would have ended). Mrs W was also refunded the additional premium she'd paid for an upgraded courtesy car.

Taking all these factors into account, I've concluded Tesco acted fairly and reasonably. As she didn't receive (at least initially) the upgraded courtesy car for which she'd paid an additional premium, I think it's fair that premium was refunded. And extending the hire period would compensate for the initial delay in locating a car.

Continuing cover and increased premium

Mrs W said she felt pressured into continuing her policy with Tesco after the accident, when she purchased a replacement vehicle and contacted Tesco to add it to the policy. She's also unhappy at the additional premium she was charged when adding her replacement vehicle.

I've considered both elements. Taking the additional premium issue first, at the point she added her replacement vehicle it wasn't clear what the liability outcome would be (it was later determined to be the fault of the third-party). So, having an outstanding claim where liability hadn't been established would have been likely to lead to an increase in premium. While I haven't seen any precise impact, it appears Mrs W's replacement vehicle was a newer version of the same (or similar) model. She says it cost her £12,000 (compared to the valuation of her vehicle of £5,500). As a more valuable vehicle, this may also have led to a premium increase.

Ultimately, it's a commercial decision for Tesco about the level of premium they charge for a policy, taking account of the assessed level of risk and other factors. Which would include the vehicle being insured and the claims history. So, I can't conclude it was unfair or unreasonable for them to have charged an increased premium.

On the other issue, of Mrs W feeling pressured into continuing her policy with Tesco (as opposed to cancelling it and taking out cover elsewhere – which she says would have been cheaper) I've also considered the information and evidence available.

It appears Mrs W was told by Tesco that if she cancelled her policy, they would keep the full annual premium for the policy. This would be the case under the terms of the policy where (as there was at the time) an outstanding claim on the policy, where liability hadn't been determined. But it would only have been the case should liability be determined against Mrs W – not if she was held not to be at fault. In that eventuality, she would (if she'd cancelled) only be charged for the time she'd been on cover under the policy.

However, this wasn't made clear to Mrs W when she contacted Tesco – she made it clear in the call she didn't think she was at fault for the accident. So, she decided to continue with the Tesco policy and pay the additional premium, rather than cancel and (as she thought) obtain cheaper cover elsewhere.

From the case notes provided by Tesco, it appears they acknowledge they should have made it clear to Mrs W that if she cancelled the policy (and was subsequently found not to be at fault for the accident) she'd only be charged for the period on cover. As she wasn't told this, she wasn't able to exercise this option. I've concluded Tesco should have made this clear, particularly given Mrs W's insistence she wasn't at fault. So, they haven't acted fairly or reasonably in this respect.

Given this conclusion, I've thought about what Tesco should do to put things right. I think Tesco should carry out a recalculation of the premium as if the claim had been recorded correctly (as a non-fault claim) and refund the difference to Mrs W. Interest, at a rate of 8% simple, should be added to the sum. Tesco should also pay Mrs W £100 for distress and inconvenience.

My final decision

For the reasons set out above, my final decision is that I uphold Mrs W's complaint in part. I require Tesco Insurance Company Limited to:

- Carry out a recalculation of the premium as if the claim had been recorded correctly (as a non-fault claim) and refund the difference to Mrs W. Interest.
- Pay Mrs W £100 in compensation for distress and inconvenience.

Tesco Insurance Company Limited must pay the compensation within 28 days of the date on which we tell them Mrs W accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

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

Paul King
Ombudsman