

The complaint

Mr G complains about how U K Insurance Limited trading as Privilege (UKI), handled his claim on his car insurance policy.

For ease of reading, any reference to UKI also includes the actions of its agents.

What happened

Mr G was involved in an accident in his car, so he claimed on his policy with UKI. As the claim wasn't his fault his car was initially recovered to a manufacturing garage who assessed the damage. Mr G's claim was then passed to UKI to deal with under his car insurance policy.

UKI said Mr G's car would be deemed what is known as a "total loss" due to the amount of repairs needed as they valued his car at around, £25,000. UKI said it was normal to deem a car a total loss when the cost of repairs is more than 60% of the car's market value. UKI also asked Mr G for the V5 registration certificate. Mr G didn't agree his car was a total loss and he refused to provide the V5. He said the manufacturing garage had said it would cost around £15,000 to repair and that UKI had collected the car to see if it could repair it. Mr G said this was because UKI might be able to repair it for less than the manufacturing garage and therefore his car wouldn't be deemed a total loss. He therefore asked UKI why it wanted the V5 and its reasons for why his car was a total loss, he also said he didn't agree with the valuation. Mr G had also been provided with a like for like hire car under his policy with UKI while his claim was reviewed. Mr G raised concerns about the hire car provided, that it had to be changed twice due to issues with the cars provided and about how it was recovered.

UKI issued two final responses on this complaint. One dealt with the valuation of Mr G's car and the other dealt with the issues with the hire car needing to be changed due to it having faults with it. UKI agreed the valuation was too low, as it hadn't considered the optional extras that Mr G's car had. So, it increased its value to £26,324 and offered £250 compensation for the error. In the other final response, UKI agreed there had been issues with the hire car provided and offered £200 compensation for Mr G having to change the hire car.

Mr G wasn't happy with how UKI had handled the claim and so referred his complaint to our service. He said UKI had reported the hire car stolen, turned up at his work to collect it and told his employer the car was reported stolen. He also disagreed his car should be a total loss and said the valuation given by UKI was too low. Mr G said his car was worth around £35,000.

Our Investigator reviewed the complaint and didn't uphold it. He found that as UKI hadn't received the V5 registration document for the car, then it hadn't settled the claim. He also didn't think UKI had done anything wrong by saying the car was a total loss and valuing it at £26,324.

Mr G didn't agree and asked for an Ombudsman to review his complaint. So, it has come to me to decide.

I asked our Investigator to ask UKI why it thought Mr G's car was a total loss, given Mr G's repair quote for £15,000. UKI had valued his car at £26,324 which meant the repair costs were below 60% of the market value, which is below the level insurers normally say a car is a total loss. I also asked about the hire car being reported stolen.

UKI replied and explained its engineer had estimated that the repair costs were likely just under £29,000 and so stood by its position to deem the car a total loss.

UKI also said Mr G had refused to return the hire car, so it reported it stolen and recovered it from Mr G. I spoke with UKI and asked for evidence to support the repair costs and that Mr G had refused to return the hire car. UKI replied and provided contact notes and a redacted repair quote.

I issued a provisional decision on this complaint on 16 January 2024 where I said:

"The terms and conditions of Mr G's policy, like most policies we see, give UKI the right to take over the defence or settlement of any claim, as it sees fit. That means it might make a decision Mr G disagrees with. But we'd look at whether UKI made a reasonable decision in doing this based on the evidence it had and the circumstances of the case.

Should Mr G's car have been a total loss

Mr G's policy says in the event of a claim for accidental damage it will either:

- repair Mr G's car which includes UKI repairing it or paying for the repairs
- replace any lost or damaged items
- settle the claim by making a payment for his car.

Mr G's car was originally assessed by a manufacturing garage who provided an initial quote to repair it for £15,905.38. As Mr G didn't think the damage was significant and wanted his car to be repaired, he asked UKI to also assess the damage and decide whether it could repair it for less. UKI told Mr G it considers his car a total loss. Mr G questioned why this was the case as he wanted it repaired.

I've listened to the call where Mr G spoke with UKI and asked why he needed to send in his V5 document. UKI told Mr G his car is a total loss and Mr G asked why, as his understanding was that UKI would be assessing the damage to see if it could be repaired. UKI's advisor said they would raise a valuation dispute which Mr G also questioned, as he was asking whether his car could be repaired and also raised concerns about the valuation as he didn't think UKI had valued his car fairly. Following this call UKI appears to have issued its final response in relation to the valuation of Mr G's car. It increased the value to £26,324 and offered the market value to Mr G to settle the claim. Mr G disagreed with this value and said he didn't receive the offer to settle his claim.

In my experience, it's not unusual for an insurer to deem a car a total loss when the repair costs are more than 60% of the car's market value. This is also the level UKI says it will deem a car a total loss in its terms and conditions. When I asked UKI why it thought Mr G's car was a total loss, UKI replied and said the repair costs were £28,668.04. I therefore asked for evidence of this and UKI provided a redacted quote which only had the cost of the parts required to repair the car but came to over £16,000 for the parts alone.

Mr G has provided a repair quote for £15,905.38, which is dated 26 September 2022. However, I've also seen another quote for the repair of his car on file, which is dated in October 2022, this gives a total cost of £27,779. These quotes are both from the same

garage and I'm more persuaded that the higher quote is accurate, as it's dated later than the first and has additional repairs relating to this accident which weren't included on the first quote. It therefore appears to be more accurate and takes into account repairs which weren't initially apparent. If Mr G has anything to show the first quote is more accurate then I request he provides it in response to this provisional decision.

As the repair quote from UKI is redacted, it's not clear what the total cost to repair Mr G's car was for UKI. However, when taking into account the two quotes from the manufacturing garage, and UKI's quote, I think UKI would likely have shown the repair cost would be almost £28,000 and therefore more than 60% of the market value of Mr G's car. I'm therefore satisfied it was fair and reasonable to consider Mr G's car a total loss at the time due to the cost of repairs when compared to its overall value.

However, not explaining to Mr G why his car was a total loss even if UKI repaired it, meant he wasn't able to make a reasonably informed choice on how to proceed with his claim. I say this as UKI repairing Mr G's car is only one option available to UKI under the policy to handle Mr G's claim. I therefore also need to consider that Mr G may have been happy with a cash settlement and arranging to repair the car himself. So, by UKI not giving Mr G this information at the time, I'm satisfied it's caused him additional unnecessary distress and inconvenience which it should compensate him for. I will address later in this decision.

The value of Mr G's car

The terms and conditions of Mr G's policy say that if UKI deem his car a total loss, it will pay him the market value. It defines market value as "the cost of replacing your car with another of the same make and model and of a similar age and condition at the time of the accident or loss."

Our service doesn't value cars. Instead we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant trade guides. I usually find these persuasive as they're based on nationwide research of sales prices.

UKI initially valued Mr G's car at £25,163. When Mr G disputed the total loss, this was reviewed and UKI increased the valuation to £26,324, to take into account the optional extras Mr G's car had. It also awarded £250 compensation for not taking these into account initially. I've looked at the four valuation guides we use. These have produced values of £21,880, £24,000, £26,342 and £26,408.

Our approach is to look at an insurer's valuation and, in the absence of other evidence, to compare it to the highest values given by the guides, unless there is something to suggest the highest values given by the guides are wrong. UKI's final valuation of £26,324 is £84 lower than the highest value of £26,408 from the guides. I can see Mr G has provided an advert for a similar car, with aftermarket parts (rather than manufacturing parts). While I can see this car is advertised for almost £30,000, it has almost 40,000 fewer miles than Mr G's car and, in my experience, this is likely to have an impact on the value. So, I'm not persuaded this advert shows the values given by the guides aren't reflective of the market value for his car. It follows, that as UKI's offer is in line with the highest guide, I'm satisfied its offer is a fair and reasonable amount. I'm therefore not going to tell UKI to increase what it's offered to pay.

Mr G explained he didn't initially receive UKI's offer, as it was sent to the wrong address. I've also not seen that UKI offered Mr G an interim payment while his complaint progressed. Mr G explained it was several months later, after he referred the complaint to us when he was made aware of how much UKI had offered to settle his claim. While I'm satisfied UKI's

valuation is fair, it appears it's not been paid to Mr G which has caused him to be without money he should have had as his claim is from September 2022. UKI should therefore add 8% simple interest per year to the amount it pays to compensate Mr G for not having the money. This should be calculated from one month after the date of loss, until the date UKI makes payment.

Issues with the hire car

Mr G has also raised issues with the hire car provided. He said the cars provided had faults with them and one was even delivered without enough oil in it. Mr G also raised concerns with how the hire car was collected from him at the end of the hire.

Mr G's policy covers him for a hire car while his car is repaired through UKI. If not repaired through UKI, or the car is a total loss, it covers a hire car for up to 21 days. I can see from UKI's internal notes that Mr G had a hire car for 82 days, so longer than the policy entitles him. I've also seen Mr G had issues with the hire car and it needed to be changed on two occasions. UKI has paid £200 compensation for this. While I'm satisfied this is fair compensation for the issues with changing the hire car, Mr G has also raised concerns about how the hire car was recovered.

Mr G explained that as he'd refused to return the hire car until the issues with his claim were resolved, UKI reported the hire car as stolen. UKI then tracked the location of the car and recovered it from Mr G's place of work. While doing so, UKI told Mr G's employer the car had been reported as stolen which triggered a criminal investigation into him along with a professional standards investigation. I asked Mr G about this, he explained neither resulted in further action, however they have been recorded on his file at work which means they will affect his career developments.

I asked UKI about notifications it sent Mr G about returning the hire car and it has provided internal notes of calls to Mr G about returning it, which Mr G agrees he had. However, Mr G said he was not informed it would be reported as stolen and nothing was sent to him in writing to say the car had to be returned or what the implication would be if he didn't return it. I'm satisfied UKI acted fairly by extending the hire beyond what it had to provide under the policy. Also given the hire car had been on hire for 82 days whereas it should only have been provided for 21 days, I can understand why UKI requested the hire car back. I'm not satisfied it did enough to let Mr G know the implications of him not returning it though, or to resolve the issues with his claim. Because of this Mr G refused to return the car and it was reported as stolen by UKI and recovered from Mr G's place of work.

The nature of Mr G's employment means this has caused him significant unnecessary distress and inconvenience. He's also explained it's affected his career opportunities. It's not possible to say for sure the exact impact on Mr G's career, however I am satisfied UKI should compensate Mr G for the impact its recovery of the hire car had on him. I say this because having a car reported as stolen is distressing for anyone, let alone given Mr G's employment. The recovery triggered a criminal investigation and professional standards investigation, which I'm satisfied caused Mr G serious offence and/or humiliation. If UKI had let Mr G know it would report the car as stolen and recover it from him I think, given his profession, he most likely would have returned it. Therefore, to compensate for not telling Mr G this and the impact it's had on him, along with the poor claim handling mentioned above in relation to deeming his car a total loss, UKI should pay Mr G an additional £1,000 compensation for distress and inconvenience. This is also on top of the £450 already offered to him in UKI's final response letters, making the total compensation £1,450.

I've also noted that Mr G hasn't had his total loss payment, or a car provided by UKI to use in the meantime. This means Mr G has had to make other arrangements since April 2023

when the hire car was recovered. I asked Mr G about this, and he said his father was due to buy a new car, and due to Mr G not having one, his father decided to keep his old car so Mr G could use one of the cars. Mr G explained that he lent his father the money to buy another car and withdrew the money from his savings. I can see this will have financially impacted Mr G, as he's not had the money in savings. As I'm intending to direct UKI to pay 8% simple interest per year on the total loss settlement, I'm satisfied this will cover the financial impact on Mr G of having to take the money out of a savings account to lend to his father."

UKI responded to my provisional decision and didn't accept it. UKI said Mr G had initially been provided a hire car under his car insurance policy but had then been referred to a "Non-fault hire" (NFH). It said the NFH company had notified Mr G over the phone that the car would be reported stolen and provided internal call notes to support this. UKI also asked for evidence of the impact the collection of the hire car had on him, due to the amount I intended to award. UKI also said the delays in settling the claim were due to Mr G not co-operating with it and sending it the V5 for his car.

Mr G replied and didn't accept my provisional decision. He said the valuation of his car should be around £35,000 and referred to the advertisement he'd provided for a similar car but with aftermarket parts on it. Mr G said he would accept his damaged car back in addition to the market value settlement. He also said he'd not returned the hire car due to UKI not handling his claim correctly and either paying him a fair market value or repairing his car. Mr G didn't think the 8% interest on the settlement went far enough, as he'd lost interest on the money he'd taken out of savings and not been able to spend the money on his family.

Following the responses to my provisional decision I asked our investigator to respond to UKI. Our investigator let UKI know that I didn't agree UKI had done enough to show Mr G was in a NFH which is provided outside of his policy. I said that even if Mr G was provided with a NFH, outside of his car insurance policy, that UKI hadn't shown this had been explained to Mr G or that he'd even agreed to it. I also said I didn't think Mr G would have agreed to it if it had been explained correctly to him, as there would be no benefit on Mr G being in a NFH when he had a similar size hire car provided under his car insurance policy. And as the hire car provider was the same whether the hire car was provided under Mr G's policy or not, then UKI should compensate for the way it was recovered. I said this was because Mr G was only in a NFH due to UKI's actions. I also explained to UKI that I hadn't asked for evidence of the impact the collection of the hire car had on Mr G, as UKI's internal notes supported what Mr G has told this service. Which I found persuasive.

UKI responded and referred to contact notes which it said showed Mr G knew he was being referred to NFH. UKI also said the NFH provided a benefit for Mr G as it meant he could get a like for like hire car rather than a hire car that was a similar in size to Mr G's own car. UKI also repeated the only reason Mr G's claim hadn't been settled was because he hadn't provided the V5 which was required due to the value of his car.

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've considered both Mr G's and UKI's responses to my provisional decision, but I'm not persuaded to depart from my findings in it. I say this because I'm satisfied Mr G didn't return the hire car when requested due to UKI's poor claim handling and this is the reason he refused to provide the V5. I've also noted the policy document says the V5 must be sent to UKI once the claim has been settled. So as UKI hadn't settled the claim, according to the policy terms, Mr G wasn't obliged to send it before the claim was settled.

I'm also not persuaded that the internal note UKI provided is sufficient to show Mr G was told the hire car would be reported stolen. I say this as the contact note says:

"He also refused too [sic] give information/details for collection of our vehicle I will report it as stolen".

To me this read as the advisor is recording they'll report it as stolen, not that Mr G was informed it would be reported as stolen. So, I'm not persuaded these change my position as outlined above and in my provisional decision. I've also considered the contact notes about Mr G knowing he was in NFH. While I can see Mr G was aware it was a non-fault claim, he was complaining the car provided wasn't similar to his, from reading them I'm not persuaded they show Mr G knew he was referred outside of his car insurance policy, that the implications of this were explained to him or that he agreed to being referred outside of his policy in full knowledge of the implications.

UKI has also said the NFH provided a benefit as it would provide a like for like hire car, rather than a similar sized car, as Mr G was entitled to under his policy. I can see the term "like for like" and "similar" are used as if there is a difference, however from reading the terms of Mr G's policy and looking at what is meant with the phrase "like for like", I'm not persuaded these are materially different in their meanings. I can also see Mr G was transferred to NFH 7 days after receiving the hire car under his policy, so at the point the NFH was provided, he was still within the provision of the hire car under his policy. I therefore maintain my position that I don't think Mr G would have agreed to be transferred outside of his car insurance policy if it had been properly explained to him and so UKI are responsible for the implications of this.

Regarding Mr G's response about the valuation of his car, I remain of the same opinion as my provisional decision explained above. In response to Mr G wanting to retain the damaged car, if he wishes to do this, he will need to raise that with DLG. However, as I'm satisfied the market value offered is fair, UKI would be entitled to deduct what it would receive from salvage for Mr G's car from what it pays Mr G as the market value. This is inline with the policy terms which say upon payment of the market value the ownership of Mr G's car passes to UKI and so it's only fair UKI deducts what it would receive if it sold Mr G's damaged car from the market value it pays. If Mr G does decide he wants to retain the damaged car and he's unhappy with how much UKI deduct, he would need to raise that separately as it's not been considered as part of this complaint.

I've also considered Mr G's point about the 8% simple interest not being sufficient to cover the lost interest and that he couldn't spend the money on his family. In doing so I'm not persuaded to change my position. I say this because Mr G hasn't shown he was receiving 8% simple interest or higher on his savings account, I'm therefore satisfied this is a fair amount to compensate him for not having the money.

My final decision

For the reasons explained above and in my provisional decision, my final decision is that I uphold this complaint. I require U K Insurance Limited to:

1. Pay Mr G £26,324 as the market value for his car, minus any applicable excess.
2. Pay Mr G an additional £1,000 for distress and inconvenience, making the total paid £1,450.

8% simple interest per year should be added to 1 above, calculated from one month after the

date of loss until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 March 2024.

Alex Newman
Ombudsman