

## **The complaint**

Miss S has complained about the amount AA Underwriting Insurance Company Limited (AA) paid in settlement of a claim she made under her motor insurance policy.

## **What happened**

The details of this complaint are well known to both parties, so I will not repeat them again in full detail here. But to briefly summarise, Miss S is unhappy with the valuation placed on her vehicle following a total loss claim under her policy.

She's also unhappy with AA's handling of her claim and complaint. Particularly, that her car would not have been a total loss if it weren't for AA's recovery service failing to pick up her car from the correct place following the accident – which resulted in it suffering additional damage.

Our investigator thought Miss S's claim should be upheld. She said AA based its valuation on two of the industry guides our service typically relies on. But given Miss S's concerns about the valuation, and the adverts she provided, our investigator said AA should have checked additional guides. Our investigator checked the additional guides herself, and based on this, suggested AA should increase the valuation placed on Miss S's vehicle from, £14,187 to £15,225.

Our investigator agreed AA had caused Miss S some distress and inconvenience in its poor handling of the recovery and the claim in general. But she thought its apology and offer of £200 compensation was fair, so she didn't think AA needed to do anything further.

Miss S didn't accept our investigator's assessment. So, as no agreement had been reached, the complaint was passed to me to decide.

I was minded to reach a slightly different outcome to our investigator. So, I issued a provisional decision to give the parties the chance to respond before I reached my final decision. Here's what I said:

### ***"What I've provisionally 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.*

*Having done so, I've reached broadly the same outcome as our investigator, although I'm intending to award a slightly higher amount of compensation and interest on the claim settlement. I'll explain why.*

*Miss S's policy covers her for the market value of her vehicle, at the time of loss – which is fairly standard within the motor insurance industry.*

*Market value is defined in the policy as:*

*“The cost of replacing the Insured Car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss.”*

*AA based its valuation on the average of two valuations it obtained from some of the recognised motor industry trade guides our service typically relies on when considering this type of complaint. It used the correct mileage and date of loss when obtaining these valuations, which were:*

*Glass's: £14,780*

*CAP: £13,595*

*AA says it also obtained a valuation from Autotrader of £13,610 – however this valuation doesn't appear to be from the Autotrader valuation tool our service has access to, nor does it appear to take into account the date of loss or mileage. So, I'll not be taking this valuation into account when deciding what I think is fair.*

*Based on the valuations it obtained, AA offered Miss S a total settlement of £14,187 – the average of the Glass's and CAP guides. So, it appears AA too decided not to take its Autotrader figure into account.*

*Miss S complains that the valuation placed on her vehicle by AA is too low. She says she is unable to replace her vehicle with one of a similar make and model for that amount. She's provided several adverts for similar cars being offered for sale at higher amounts than hers.*

*Taking into account the difference between AA's valuations and the adverts, our investigator obtained her own valuations from two additional trade guides our service typically uses when assessing complaints about motor valuations. She used the same mileage and date of loss when obtaining these valuations, which provided the following market value figures:*

- *Percayso (formerly Cazana and Cazoo): £15,017*
- *Autotrader: £15,493*

*Our service's normal approach in these types of complaints, considers that a figure within the range of valuations returned by the motor trade guides is typically fair. This is unless there's other evidence, such as sales adverts, which suggest a valuation at the higher or lower end would be fairer.*

*In this case, I'm persuaded that the adverts provided by Miss S support a valuation at the higher end of the range would be fairer. Of the four adverts Miss S has provided, two are for cars of the same age, make and model, and both have broadly similar mileage (one within 4,000 miles and the other within 10,000). These cars were advertised for sale at £15,971 and £16,999 respectively. The other two adverts are for larger cars with different specifications, so I haven't taken these into account.*

*I've considered the fact that the lower mileage would likely have an impact on the sale price, and that advertised prices are often the starting point of a negotiation, rather than the price the car actually sells for. But because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price. And even taking into account the lower mileage, I'm of the view that the two adverts Miss S has provided support a valuation at the higher end of the range would be fairer in the particular circumstances of this complaint.*

*Based on the above, I consider a fair valuation for Miss S' car would be the average of the two highest guides – Percayso and Autotrader. This amounts to £15,225. So, in order to fairly put things right, I'm currently minded to decide that AA should increase the total settlement paid to Miss S to £15,225. It should also pay 8% simple interest on any amount which remains unpaid, from 8 November 2022 (one month after the date of loss) to the date Miss S is reimbursed. This is to compensate Miss S for being deprived of funds I believe she was reasonably entitled to under her policy. This also recognises that there were unreasonable delays in reaching the initial offer of settlement, but also that AA would always have needed a reasonable period of time to investigate, accept and settle the claim.*

*Miss S has also complained about AA's handling of his claim. She says the claims process took too long, and her car only became a total loss due to AA's mishandling of things. She says this had a significant impact on both her health and finances.*

*I've thought carefully about everything that happened. It's not in dispute that AA is at fault for the recovery issue, and for the car becoming a total loss as a result. It has recognised and apologised for this and offered compensation. AA also recognises that the claim took too long to conclude. However, AA says it continued to provide a courtesy car during this period, despite Miss S's policy not covering this, which I agree will have mitigated the inconvenience experienced here.*

*Taking everything into account, I think the £200 already paid by AA is sufficient to compensate Miss S for the distress and inconvenience caused by its claim handling errors. Namely the overall time taken, the distress caused by finding out the car suffered further damage due to recovery error and the inconvenience of having to source a new car.*

*However, I'm also mindful that Miss S has suffered additional distress and inconvenience as a result of AA reaching, in my view, an unfair valuation for her car when initially settling her claim. So, in addition to the £200 it has already offered, I think AA should pay Miss S a further £100 to recognise the additional impact this has had on her.*

*By paying the increased valuation I've suggested, the interest I've outlined and a total of £300 compensation, I think AA will have done enough to fairly resolve Miss S's claim and complaint."*

I asked both sides to send any further comments or evidence they wanted me to consider before I reached my final decision.

AA responded to ask for clarification as to the date of loss our service used when obtaining valuations. Following this, it confirmed it accepted my provisional findings.

Miss S also provided a response to my provisional decision. In summary she said:

- AA didn't simply leave her with the hire car to help her. They made several attempts to withdraw it at short notice, which was stressful, and only left it with her due to her contacting them and arguing her case.
- Her car is the largest size of the model, so she's not sure what I meant when I said some of the adverts she provided were for larger models.

### **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 also thought carefully about the responses to my provisional decision. Having done so, my provisional conclusions remain unchanged. I'll explain why.

Miss S has questioned what I meant when I said some of her adverts were for larger models of her car. She says hers is the largest size, and second highest spec, available. I've re-checked the adverts and have seen that I erroneously interpreted Miss S's car to be a five-seater rather than a five door, seven-seater. So, I've gone on to reconsider my findings in light of this.

Of the two additional adverts, I previously didn't consider, one is for a later registration year with around 9,000 less miles than Miss S's car. Given these differences, I'm still minded to discount this advert. But the other advertised car is from the same registration year, with around 4,000 less miles than Miss S's car, and was advertised for sale at £15,996.

I've thought carefully about whether this advert is sufficient to demonstrate that the increased valuation outlined in my provisional decision would be unfair. But as explained, advertised prices are often the starting point of a negotiation and not always what the car sells for. And again, I'm mindful that this car has slightly lower mileage than Miss S's car, which would potentially impact the advertised and actual sale price. So, including this advert isn't sufficient to persuade me that that the valuation at the higher end of the guides would be unfair and unreasonable. Rather, when considered alongside the other adverts, I think it further supports my provisional conclusion that a fair settlement in this particular case would be the average of the two highest guide valuations, which was £15,225, rather than the average of all four guides.

Miss S has also highlighted that AA caused her additional distress and inconvenience by seeking to withdraw the hire car at short notice. I've thought about this, and I appreciate that would have been unduly stressful for Miss S. But having considered everything that happened, in the round, I'm still of the view that the additional compensation I suggested in my provisional decision, alongside the increased valuation and interest award, are sufficient to fairly resolve Miss S's claim and complaint.

## **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Miss S's complaint.

AA Underwriting Insurance Company Limited must:

- Increase the valuation placed on Miss S's car to £15,225 and pay her any amount which remains outstanding.
- On the additional amount due to Miss S, pay 8% simple interest\* from 8 November 2022 to the date Miss S is reimbursed
- Pay Miss S a total of £300 compensation for the distress and inconvenience it has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 3 November 2023.

*\*If AA Underwriting Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss S how much it's taken off. It should also give Miss S a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

Adam Golding  
**Ombudsman**