

The complaint

Mr M complains about the handling of his claim by Advantage Insurance Company Limited (Advantage) following an accident he had when driving, under his motor insurance policy.

What happened

Mr M's car was damaged as a result of an accident. He made a claim to Advantage, and it arranged for the damage to be inspected. The car was considered a total loss, which Mr M disagreed with. He says the business included pre-accident damage, which it shouldn't have. Mr M says the settlement payment he was offered was too low. He also complained about the standard of service he received from the advisers he spoke to.

In its final complaint response Advantage says it calculated the market value of Mr M's car using two of the industry trade guides. The average of these came to £10,044 but it agreed to increase this to £10,147. Advantage says there was a delay in arranging collection of Mr M's car. It offered £50 to apologise for this.

Mr M didn't think he'd been treated fairly and referred his complaint to our service. Our investigator upheld his complaint. She acknowledged that since its final complaint response Advantage had reduced its settlement offer by £3,162.14. This was to account for pre-existing damage to Mr M's car. She says our approach here is to reduce the repair estimate for the pre-existing damage by 50%. So, Advantage should reduce its settlement offer by £1,581.07 not the full repair estimate.

Our investigator says Advantage treated Mr M fairly when categorising his car as a total loss. This was based on the ratio of the market value compared with the estimated repair costs. She obtained two more trade guide valuations that gave a higher value for Mr M's car. Based on this evidence she thought a fair market value came to £10,585. She says Advantage should pay this minus the deduction for pre-existing damage.

In addition, our investigator thought Advantage should pay £250 compensation to Mr M. This was because it handled his expectations poorly, there were some claim handling delays and customer service failings.

Advantage didn't accept this outcome. It says it should be able to deduct the full cost of the pre-existing damage from its settlement payment. Because an agreement wasn't reached, the matter 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.

Having done so, I'm upholding Mr M's complaint. Let me explain.

I've seen the repair reports Advantage's engineer produced. The claim damage on the front of Mr M's car was estimated to cost £7,313.42. The estimate for the pre-existing damage to

the rear of Mr M's car came to £3,162.14. All the damage was initially included in the claim. I note Mr M's comments that Advantage was told not to do this.

Advantage made a mistake when including the pre-existing damage. However, of relevance here is it still considered the car to be a write-off, solely based on the front end damage.

I've looked at Mr M's policy terms to see what it says about claims involving a total loss. The terms say:

"If your Car can't be repaired or your Insurer deems your Car to be unsafe or the cost of repair to be uneconomical, your Car will be declared a Total Loss (sometimes called a "write-off")."

The point at which an insurer will determine a vehicle is uneconomical to repair varies. But generally speaking, this will be when the repair costs exceed 60% - 70% of the market value. In this case the cost of repairs was in excess of 70% of the estimated market value. Based on this evidence I don't think it was unreasonable for Advantage to treat Mr M's car as a total loss.

I can understand that Mr M wants the best possible settlement for the loss of his car. He says he was going to sell it to a friend for £12,500. He also says he found similar cars advertised for sale at a higher value than Advantage offered. I've looked at the cover Mr M's policy provided. It says in the event of a total loss it will pay the market value of the vehicle.

This is defined in the policy booklet as:

"The cost of replacing your Car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition. This may not necessarily be the value you declared when the insurance was taken out. Your Insurer may use publications such as Glass's Guide to assess the Market Value and will make any necessary allowances for the mileage and condition of your Car and the circumstances in which you bought it."

Our investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to see whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from the main motor trade guides. These are used for valuing second-hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

I've seen the trade guide valuations Advantage provided. It used the correct model, specification, and mileage for Mr M's car at the loss date. These came to £10,195 and £9,940. Our investigator obtained valuations from two more of the trade guides. Again, the correct information was used for Mr M's car and the loss date. The valuations were £10,448 and £10,722.

I note our investigator checked adverts for similar cars for sale at the time of Mr M's loss. She says this showed the trade guides Advantage used didn't fairly reflect the market value. So, she discounted the trade guide valuations the business had used, and instead took an average of the remaining trade guide valuations to arrive at a market value of £10,585.

We look at all available information when considering whether an insurer has offered a fair settlement. We find the trade guide valuations to be persuasive for the reasons discussed.

But because of recent changes in the market, we are increasingly hearing cars selling either for or close to their advertised price. I've looked at the information our investigator considered showing a number of similar cars for sale. I think this supports the view that the trade guide valuations Advantage used, don't fairly reflect the market value of Mr M's car.

Based on this evidence, I agree with our investigator that it's reasonable to take the average of the higher trade guide valuations.

I've thought about the pre-existing damage to Mr M's car. The photos and engineer report show there was significant damage to the rear of the vehicle. It's reasonable to expect this damage would impact on its market value. I don't think Advantage's approach to deduct the repair costs from its settlement was unreasonable. However, we have a long-standing approach in these circumstances. We think that taking 50% of the repair estimate for the pre-existing damage, and deducting this from the settlement amount, is fair.

Advantage disagrees with this approach. It says the full cost of the repairs should be deducted, as estimated by its engineer.

However, Advantage based its repair estimate on completing manufacturer standard repairs to bring the car back to retail condition. Consumers often chose to seek a cheaper repair option, particularly with older vehicles. This could, for example, mean using a smaller independent garage with lower labour costs. For this reason, I think it's fair to apply our long-standing approach here. Advantage should limit its deduction for the pre-existing damage to 50% of its estimated repair costs, which is £1,581.07.

Finally, I've considered Mr M's concerns about the standard of service he received. He says he had to chase his case handler, who he felt was rude to him and didn't keep him up to date with his claim. When he disputed the settlement value, he says an agent told him to provide evidence of similar cars advertised for sale, which he did. He was subsequently told this wasn't needed as Advantage valued his car using the trade guides. Mr M explains that delays occurred due to confusion over the car being a total loss. This is because Advantage included pre-existing damage in its initial assessment of the repairs. It took some time before this was resolved and a new decision made based on the claim damage only. This was the same decision to write-off his car, but it caused a delay.

I can see from Advantage's claim notes that Mr M raised issues with how an agent had become frustrated with him and had been rude. I've listened to the call recording between Mr M and the engineer who valued his car. Mr M says early in the call that he'd been having difficulty receiving information about his claim. The engineer was able to provide some explanations. But it's apparent Mr M hadn't had a good experience.

The claim notes confirm Advantage's engineer had incorrectly assumed all damage was part of the claim. This meant further contact from Mr M to clarify what the claim should include. The settlement figure was then revised down significantly to account for the pre-existing damage, which came as a shock to Mr M. I can see from his submissions to our service that he found this very distressing. He also refers to his financial situation being difficult, and this ongoing claim was making matters worse.

Advantage offered Mr M £50 compensation for the standard of service he received. Given the issues described here and considering the distress and inconvenience, the delays, and the error with the settlement valuation caused, I think a higher compensation payment is warranted. I agree with our investigator that a payment of £250 in total, is fair.

My final decision

My final decision is that I uphold this complaint. Advantage Insurance Company Limited should:

- settle Mr M's claim with a total payment of £9,003.93 less his policy excess;
- pay 8% simple interest* on the delayed part of the settlement, from one month after the claim until the settlement is paid; and
- pay Mr M £250 for the distress and inconvenience he was caused.

*If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 November 2023.

Mike Waldron
Ombudsman