

The complaint

Mr A complains about Society of Lloyd's (SoL) valuation of his car following a claim on his car insurance policy. Mr A is also unhappy with the salvage deduction by SoL.

When referring to SoL, this includes actions by the underwriter and its agents.

What happened

Mr A's car was written-off by SoL following an accident. Mr A thinks his car should have been repaired and it was written off without an estimate for the damage taking place. SoL offered Mr A £5,469 to settle the claim. Mr A has said that if the car was a write-off, the market value should be around £6,300. Mr A has enquired about retaining the vehicle. SoL has quoted Mr A £1,367.25 to retain the salvage but Mr A doesn't believe this is a fair amount. In response to the complaint, SoL informed Mr A that their approved repairer had reviewed the car and had deemed it a total loss. They also advised that they'd offered their settlement in line with the highest motor trade guide and they didn't think their salvage value was unreasonable.

Our investigator didn't uphold the complaint. They didn't think it was unreasonable to deem the car a write-off. They also didn't think the market value or salvage retention figures offered by SoL were unreasonable.

Mr A didn't agree. He said he'd been informed that no estimate of the cost of repair was considered before deciding to write off the car. He felt SoL should take responsibility for repairing the car if it was repairable. He didn't think it was fair for SoL to deduct over £1,300 for salvage when he's provided information to show a salvage company would only offer £350. So, 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.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly. So, I've thought about whether SoL acted in line with these requirements when it settled Mr A's claim as they did.

Car being written off

I can understand why Mr A might want his car to be repaired instead of written off. However, having reviewed the circumstances, I don't think SoL has acted unreasonably in writing Mr A's vehicle off.

Under the terms of the policy, SoL have the absolute discretion to decide if the car is repaired or written off. However, I would still expect SoL to repair Mr A's car if it was repairable and economical to do so. I appreciate that SoL initially told Mr A that his car would

be repairable. Most cars after an accident will be repairable but it's not always economical to do so. SoL arranged for the car to be taken to an approved repairer. After assessing the car, the approved repairer told SoL that the car was a total loss. I don't think it was unreasonable for SoL to rely on their engineer's opinion in deciding to write the car off. I haven't seen anything to contradict the engineer's opinion, so I don't think it was unreasonable for SoL to deem the car a write-off.

Market Value

Mr A's policy document sets out what he's covered for in the event of an accident. The terms set out that the maximum SoL will pay in the event of a claim is the market value of the car. The policy defines market value as:

"the cost of replacing your vehicle with another one of the same make, model and specification and of similar age, mileage and condition at the time of an accident or loss"

As a service, to assess whether a reasonable offer has been made, we obtain valuations from four motor trade guides. These are used for valuing second-hand vehicles. We find these guides to be particularly persuasive. This is because their valuations are based on nationwide research of likely selling prices. The guides take into account the exact vehicle variant and mileage for the date of loss.

Ageas used two trade guides and offered Mr A the highest value they attained. Our investigator checked two additional trade guides but SoL's offer to Mr A was also higher than these guides. As a service, we think insurers should offer in line with the highest available guide unless there is sufficient evidence to persuade us otherwise.

SoL have offered Mr A in line with the highest trade guide figure. I haven't seen any evidence to persuade me that the market value should be any higher. Based on what I've seen, I don't think SoL has offered Mr A an unfair or unreasonable market value for his car.

Salvage

Mr A's policy document sets out the process if the car is determined to be a total loss. The policy states that once SoL has made payment, the insured vehicle becomes their property. As a service, as long as it's safe to do so, we'd expect an insurer to allow the insured to retain the car.

The policy also states that SoL alone will determine the salvage value of the insured vehicle. I would still expect this to be fair and reasonable to the insured. Mr A has provided a quote he's received from a car scrap comparison website.

After a total loss, an insurer will usually sell the vehicle to a salvage agent. The insurer and salvage agent will have an agreement which determines how much is paid. As the insurer has a contract with their salvage agent, I don't think it would be fair on SoL to lose out on income as a result of Mr A being allowed to retain the car. So, I think it would be fair for SoL to charge Mr A what they were expected to receive from their salvage agent if he wants to retain the car.

I've asked SoL to provide evidence of the salvage agreement they have in place. They've provided me with a copy of their salvage table. Having reviewed this, I can see that SoL has only charged Mr A what they would have received from their salvage agent. Based on this, I don't think SoL's salvage value is unfair or unreasonable.

My final decision

For the reasons given above, my decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 1 April 2024.

Anthony Mullins
Ombudsman