

The complaint

Mr P complains about Aviva Insurance Limited's valuation of his car following a claim on his car insurance policy. Mr P is also unhappy with the salvage deduction by Aviva.

What happened

Mr P's car was written-off by Aviva following an accident. Aviva has made several different offers to Mr P to settle the claim but their most recent one was £3,799. Aviva informed Mr P that if he wanted to retain the car, they'd deduct £949.75 (25%) from the settlement. Mr P was unhappy and so raised a complaint to Aviva.

In his complaint, Mr P said that he'd got a private valuation for his car and seen an advert for a similar car on the internet which showed the settlement offer was too low. Mr P had also got a salvage quote which he said showed Aviva were over charging. In response, Aviva said a senior engineer had reviewed the information and thought the valuation and salvage amounts were fair. Mr P was still unhappy and so brought his complaint to us.

Our investigator upheld the complaint. They thought that the settlement value was fair but as Aviva hadn't provided any evidence to support the salvage retention deduction, this was unfair and Aviva shouldn't make a deduction for this. Mr P accepted our investigator's outcome. Aviva didn't agree and provided some additional evidence.

What I provisionally decided – and why

After considering all the evidence, I issued a provisional decision on this complaint to Mr P and Aviva on 6 March 2024, I said:

"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 Aviva acted in line with these requirements when it settled Mr P's claim as they did."

Market value

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

*"The **Market Value of Your Vehicle** is the cost of replacing it with one of the same make, model, age, type, condition and mileage."*

As a service, to assess whether a reasonable offer has been made, we usually obtain valuations from four motor-trade guides. Due to the age of Mr P's car, none of the guides were able to provide a valuation. I've relied on the evidence provided by Aviva and Mr P to decide on whether what they've offered is fair.

Due to the age of Mr P's car, there aren't many adverts available for cars being sold. Mr P has provided a couple of examples. Whilst as a service we'll take adverts into account, the

number of adverts alone wouldn't be enough to solely base my decision on them.

Mr P has also provided an email with an independent valuation. This valued the car between £4,000 - £6,000 based on the car being condition 1 in terms of body, chassis, mechanical & interior. There is no explanation of what condition 1 means, although the impression given is this is the highest level/value expectation.

Aviva has said that they took Practical Classic magazine's price guide into account when valuing the car as well. The guide splits their valuations into different condition levels. These are as follows:

- "Concours/dealer is a guide to the best examples of a model.*
- Condition 1 (Good) means well-presented cars that have no obvious faults.*
- Condition 2 (Average) cars are capable of regular use. They have a current MOT certificate but will need work and/or original parts.*
- Condition 3 (Rough) cars usually need a full rebuild, but may be driveable and MOT'd."*

Aviva's engineer said Mr P's car needed some paintwork doing to the bonnet, roof and boot lid. They've said they believe the condition of Mr P's car was between condition's 2 and 3. I've seen some photos of Mr P's car and it does look like it has some paintwork issues. Mr P himself has stated that his car has had incorrect paint and primer used on it previously. However, Aviva's valuation offer is more than the highest category above.

Based on what I've seen, I don't think the market value placed on the car by Aviva is unfair or unreasonable. They've offered Mr P more than the highest category in Practical Classics' guide (Concours/dealer - £3,600). The value is also just below the valuation attained by Mr P himself, which didn't appear to have considered the true condition of the vehicle.

Salvage

Mr P's policy document sets out the process if the car is determined to be a total loss. The policy states that if the consumer expresses a desire to retain the salvage of the vehicle, the market value for the salvage will be deducted from the settlement offer.

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 Aviva to lose out on income as a result of Mr P being allowed to retain the car. So, I think it would be fair for Aviva to charge Mr P what they were expected to receive from their salvage agent if he wants to retain the car.

Mr P provided a quote he received to scrap his car. This was for a total of £170. I think it's important to point out to Mr P that there's a difference between scrapping his car and a deduction for salvage retention.

Aviva has told us that they're paid based on how much the car sells for at auction. As such, they were unable to provide us with an exact figure. They provided us with a table in relation to the make of vehicle in general and not Mr P's specific car. They've now provided us with an 'offer to purchase' form completed by their salvage agent. The form is filled in specifically relating to Mr P's car. The salvage agent has also given a guaranteed salvage return offer of £1,200. Aviva is deducting £949.75 for salvage which is less than the guaranteed amount.

As a service we have access to other insurers salvage tables. Having looked at these, a 25% deduction for a category S total loss worth £3,799 isn't out of line with other insurers either.

Based on what I've seen and for the reasons above, if Mr P wants to still retain the salvage, I don't think a deduction of £949.75 is unfair or unreasonable."

Responses to my provisional decision

Mr P told us that he still believes that the market value is too low. He's provided us with some additional adverts to support this. Mr P also believes the salvage retention fee is too high. He's provided us with some emails he's had with salvage agents. He's told us that the quotes he's had from them are the salvage value and not the scrap value. Finally, Mr P has told us that he's only received around £3,200 and not the £3,799 market value.

Aviva accepted my provisional decision.

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.

Market Value

I've reviewed the adverts provided by Mr P. Most of the adverts are for cars advertised either in Europe or the United States. I don't think these vehicles are a like for like to Mr P's car. I also don't think it's responsible to consider the value of cars being sold outside the United Kingdom towards the market value of the car. There are several adverts for similar cars being advertised for sale or that were sold in the UK. However, the vast majority of these cars were advertised for £4,000 or less. This supports the £3,799 market value place on Mr P's car by Aviva. I haven't seen anything provided by Mr P to change my decision.

Salvage

Mr P has provided me with an email chain he had with a salvage agent. Mr P asked them if their £200 offer was in respect of salvage or scrap. The salvage agent informed Mr P that it was a scrap quote. Mr P then asked what the salvage quote was and was informed both were £200. Based on the email chain provided, the salvage agent is using the terms 'scrap' and 'salvage' interchangeably. As per my provisional decision, I don't think it's unreasonable, or out of line with the policy terms and conditions that Aviva are charging Mr P £949.75 for the salvage retention. This is the salvage fee that Aviva are able to receive from their salvage agent and I don't think it's fair for Aviva to receive less than this just because Mr P wants to retain the car.

In relation to Mr P's last point, whether Mr P is owed a further payment would depend on whether he still wants to retain the vehicle. Mr P was originally paid £2,474.38. A further payment is noted in the claim notes as being raised for £374.87 which coincides with the final response letter. This means the total paid to Mr P so far is £2,849.25. I note that Mr P was paid £400 for claim delays but this isn't part of the claim settlement value. However, if added together, this would come to a total of roughly the £3,200 Mr P has said he's been paid. Mr P has currently been paid the market value (£3,799) minus the salvage retention figure (£949.75). If Mr P doesn't want to retain the salvage, he should let Aviva know. Aviva would then be able to pay Mr P a further £949.75.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 19 April 2024.

Anthony Mullins
Ombudsman