

## The complaint

Mr E is unhappy with the service provided by Advantage Insurance Company Limited (AIC) following a claim he made on his car insurance policy.

## What happened

Mr E took out a car insurance policy with AIC in May 2023. The policy booklet explained in the event of a claim AIC would pay the *'market value of your vehicle.'* The definition of *'Market value'* explained *'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.'*

In June 2022 following an incident, Mr E contacted AIC to make a claim on his car insurance policy. The engineer's report determined that Mr E's car was a total-loss, and provided a value of £2,700 as the market value for Mr E's car. This was determined by using the values returned from the trade guides it had considered, including £3,680 (Glass's), and £3,375 (CAPS). Mr E was unhappy with this amount and complained to AIC.

In response to Mr E's complaint AIC increased the valuation for Mr E's car to £3,527.50- representing the average value of the two values returned by the trade guides. However AIC also explained that its engineer had made a deduction of £350 for the pre-accident damage (PAD) noted on Mr E's car, reducing the valuation to £3,177.50.

Mr E didn't accept AIC's offer to put things right, and brought his complaint to this service for investigation. The investigator checked two other trade guides that this service would usually consider when determining complaints about car valuation. These trade guides returned valuations of £4,272 (AutoTrader) and £3,931 (Percayso). Because of this, the investigator asked AIC to base its settlement figure on the highest of the trade values returned, in line with our approach to complaints of this type. The investigator also asked for AIC to pay interest on the difference between the interim payment, and the higher valuation being recommended. The investigator further explained that the deduction for the PAD was unreasonable, and shouldn't be included in the settlement calculation.

Mr E accepted the investigator's findings. Mr E also advised that he had refused the interim payment from AIC, and so this remains outstanding. AIC didn't accept the investigator's findings. AIC said the PAD total was in fact £4,011.05 according to an industry standard tool used to calculate car repairs. AIC said 50% of the PAD total would be £2,005.52. Because of this likely deduction, AIC said the valuation it had offered in its final response for £3,177.50 was fair and reasonable.

As the complaint couldn't be resolved, it has been passed to me for decision.

I issued a provisional decision on Mr E's complaint. This is what I said about what I'd 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 focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.*

*I've looked at the trade guides that we would usually refer to when dealing with complaints about market valuation. Trade guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. We expect insurers to use trade guides when valuing a car for claims purposes. Based on the circumstances of Mr E's complaint, I think it's fair that AIC used the trade guides here.*

*I've seen AIC has provided details of the trade values returned from two trade guides- returning values of £3,680 (Glass's), and £3,375 (CAPS). I've also checked a further two trade guides we would usually refer to when determining complaints about car valuation. These trade guides returned valuations of £4,272 (AutoTrader) and £3,931 (Percayso). The values returned from these additional two trade guides are both higher than the values returned from the trade guides used by AIC when assessing Mr E's claim.*

*Given the recent competitive market for second-hand vehicle sales, the Financial Ombudsman Service feels it's fair to rely on the highest valuation returned by the motor valuation guides. Here that is £4,272. That is unless the insurer can show there is good reason to think a lower value/its lower value is fair.*

*AIC's engineer found that Mr E's car had some existing damage on it, and has provided numerous photographs evidencing what can be described as mostly scratches and dents to Mr E's car. AIC feels all this would affect its value (if it were sold). I appreciate AIC's view in this respect. But the currently competitive and fast moving market for second-hand vehicles means it is not so easy to negotiate prices. And, in older vehicles, some existing damage is often expected. The industry, in respect of claims which result in total losses, has also changed. Insurers are often finding cars to be total losses even where relatively minor damage has been caused, largely due to labour costs along with the price and availability of parts. So the insurer chooses to not repair them. Such that it's not fair to assume that all total loss vehicles would be viewed by potential buyers as unsafe propositions (because the insurer couldn't fix them).*

*Mr E's car is a 2012 model, and I would expect it to have some scrapes and scratches given its age and model. And having looked at the photographs AIC took of the car I don't think it has treated him fairly. I accept there is PAD in areas around the car, as noted by AIC's engineer. But ordinarily for older cars, like Mr E's, these type of scratches and dents are accounted for in the valuation of the car. Had Mr E's car been relatively new, then the deductions would be fair- but not in a car that is over 10 years old.*

*Given this, I think the fair and reasonable thing to do is to pay Mr E the full market value of his car less the policy excess. AIC has informed this service that it recently re-issued a cheque to Mr E representing its settlement offer of £3,177.50. As AIC had originally offered this amount (which Mr E rejected), AIC will only be directed to pay 8% simple interest on the difference between its settlement offer of £3,177.50, and the higher valuation. This interest is to recognise the time Mr E has been without the money owed.*

*AIC Limited has also advised that Mr E has retained his car, and so it hasn't been able to recover the salvage amount. In line with our approach, it's usual for an insurer to deduct what it would have received when disposing of the salvage (under its commercial*

arrangement with a salvage dealer). I've seen that the engineer placed a salvage value of £405 on Mr E's car. It is for Mr E to inform AIC whether he is choosing to keep the salvage (in which case the cost of the salvage will be deducted from its settlement offer), or return the salvage, (and receive a final settlement reflective of this).

### **putting things right**

For the reasons set out above, I intend to uphold this complaint. Following confirmation from Mr E on what he would like to do, I intend asking Advantage Insurance Company Limited to settle the complaint as follows:

A). If Mr E chooses to retain the salvage for his car:

1. Settle Mr E's motor insurance claim based on a valuation of £4,272 minus the policy excess and the cost of the salvage. This figure will represent the final settlement amount; and
2. Pay interest on the difference between the interim payment of £3,177.50, and the final settlement amount. The interest should be calculated from 10 August 2023 (the date of AIC's final response letter) to the date of payment. The rate of interest is 8% simple interest per year\*; OR

B) If Mr E chooses to return the salvage:

1. Settle Mr E's motor insurance claim based on a valuation of £4,272 minus the policy excess. This figure will represent the final settlement amount; and
2. Pay interest on the difference between the interim payment of £3,177.50, and the final settlement amount. The interest should be calculated from 10 August 2023 (the date of AIC's final response letter) to the date of payment. The rate of interest is 8% simple interest per year\*

\*If Advantage Insurance Company Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr E how much it has taken off. It should also give Mr E a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **my provisional decision**

I am minded to ask Advantage Insurance Company Limited to settle Mr E's complaint as detailed above.

### **The responses to my provisional decision**

I invited both Mr E and AIC to respond to my provisional decision.

Mr E responded and agreed with the provisional decision. AIC also responded but disagreed with the provisional decision, and provided additional comments. These have been summarised as follows:

- It's clear that the decision has already been made that we should increase the valuation to the top guide, but I would maintain that a deduction of £350 should still be made from this amount
- In relation to the salvage value placed on the vehicle, this amount is based off the final valuation placed on the vehicle. As such we would need to recalculate this amount based on the valuation you are placing on the vehicle
- I also don't feel we should be paying any interest on the settlement amount for the

- fact that we made an interim payment to Mr E, yet he has kept hold of the vehicle.*
- *Retaining a vehicle isn't an option we would provide to a customer... Mr E would have been provided a certain amount of time to make a decision if he was retaining the vehicle or not, which is normally 50 days. Considering we sent the payment to Mr E in August 2023, at this point we should have already sold the vehicle or Mr E should have made payment to retain...*

### **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.

AIC feel strongly that a deduction should be made for the damage identified on Mr E's car. I've thought carefully about these comments. And I've considered the reason for applying a deduction in the first place. In doing so, I feel the comments already made in my provisional decision still stand. I'm not persuaded that the damage AIC has referenced would materially impact the value of Mr E's car, bearing in mind the age of the car (over 10 years). Because of this I won't be asking AIC to apply a deduction for the damage it has referenced.

AIC say the salvage value is *'based off the final valuation placed on the vehicle. As such we would need to recalculate this amount based on the valuation you are placing on the vehicle.'* I appreciate what AIC has explained about recalculating the salvage value. But I've also balanced this with the opportunity AIC has already had to pay Mr E a fair value for his car. And the time that has passed since Mr E made his claim. With this in mind I think a fair resolution at this time, in the circumstances, is for AIC to deduct the salvage value placed by the engineer at the time of the inspection- that is £405.

AIC says that it shouldn't have to pay Mr E interest for the time he has been without payment in settlement of his claim. It's not disputed that AIC made reasonable attempts to pay Mr E an interim payment but Mr E did not accept any amounts from AIC. I'm satisfied AIC did enough to try and pay Mr E an interim payment in settlement of his claim. My provisional decision determined that AIC would only need to pay interest on the difference between the interim payment of £3,177.50, and the final settlement amount. I'm satisfied this direction for putting things right recognises the fair attempts made by AIC to make an interim payment to Mr E (which were repeatedly rejected), and also that Mr E is only receiving interest on the additional amount he ought to have been offered in the first place.

Finally, AIC has referenced the terms and conditions of Mr E's policy in saying that Mr E is not entitled to retain his car. AIC has explained that this option might've been available to Mr E earlier in the process, but it's not something it would consider at this stage because of the amount of time that has passed. I've considered AIC's comments. But I'm not persuaded that it has provided any justifiable reason for not allowing Mr E the option to retain his car at this time. I accept what AIC has explained about it being in line with process for Mr E to have discussed retaining his car with the storage company sooner. But the claim has reached this stage because Mr E remained unhappy with AIC's offer to put things right. And I've found that the offer made by AIC was below what we'd usually direct in the circumstances. I can't see the difficulty, practically or otherwise, of Mr E choosing to retain his car at this time and AIC allowing this. So I think this option should be available to Mr E.

I've thought carefully about the provisional conclusions I reached. And I'm persuaded neither party has provided anything which would lead me to depart from this. So, my final decision remains the same as my provisional decision.

## **Putting things right**

Following confirmation from Mr E on what he would like to do, Advantage Insurance Company Limited is directed to:

A). If Mr E chooses to retain the salvage for his car:

3. Settle Mr E's motor insurance claim based on a valuation of £4,272 minus the policy excess and the cost of the salvage. This figure will represent the final settlement amount; and
4. Pay interest on the difference between the interim payment of £3,177.50, and the final settlement amount. The interest should be calculated from 10 August 2023 (the date of AIC's final response letter) to the date of payment. The rate of interest is 8% simple interest per year\*; OR

B) If Mr E chooses to return the salvage:

3. Settle Mr E's motor insurance claim based on a valuation of £4,272 minus the policy excess. This figure will represent the final settlement amount; and
4. Pay interest on the difference between the interim payment of £3,177.50, and the final settlement amount. The interest should be calculated from 10 August 2023 (the date of AIC's final response letter) to the date of payment. The rate of interest is 8% simple interest per year\*

\*If Advantage Insurance Company Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr E how much it has taken off. It should also give Mr E a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

## **My final decision**

For the reasons provided I uphold this complaint. Advantage Insurance Company Limited must follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 10 May 2024.

Neeta Karelia  
**Ombudsman**