

The complaint

Mr K is unhappy with the service provided by Accredited Insurance (Europe) Ltd (AIE) following a claim he made on his classic car insurance policy.

What happened

Mr K took out classic car insurance with AIE. The policy booklet explained in the event of loss or damage to Mr K's car, AIE would pay the '*market value*'. The terms explained '*The market value of your vehicle is the cost of replacing it with one of the same make, model, age, type and condition.*'

In July 2022 Mr K's car was involved in an incident. The engineer's report determined that Mr K's car was a total-loss, and placed a category S on the car. The engineer's report recorded the mileage on Mr K's car was 63,474 (using the last MOT recorded on 25th April 2022), and the registration year was 1984.

Because of the age, make, and model of Mr K's car, the engineer was unable to find market value information for Mr K's car in any of the trade guides we'd usually refer to. AIE's determined the pre-accident value (PAV) of Mr K's car to be £1,850 (less the policy excess).

AIE further reviewed Mr K's claim. The engineer's report recorded '*...we have done another search of the internet for examples from here and across Europe and have found one for sale year 1986 in UK which looks to be in showroom condition with 52,100 miles to date for sale at £4,995.00.*'

Mr K sent AIE details of a car he had seen advertised on sale for £15,249 in Europe, which was the same make and model as his. Mr K also provided additional examples of car adverts, summarised as follows (for comparison I have included details of Mr K's car in this table):

	Colour	Mileage	Year	Price
Mr K	Brown	63,694 (last MOT recorded on 25th April 2022)	1984	3,995 (AIE offer)
Example 1	Aqua green	77,050	1984	3,764
Example 2	Light blue	62,000	1984	4,326
Example 3	Blue	62,137	1986	3,365
Example 4	White	52,100	1986	4,995

AIE reviewed the claim and provided an increased PAV of £3,995 (less the policy excess) for Mr K's car. This letter contained the wrong incident date and car registration number. The letter also explained '*We look forward to hearing from you within the next 14 days or we will close the claim and may dispose of any salvage of your vehicle.*'

Mr K responded to AIE in a letter dated 5 February 2023 saying he had received no updates prior to the letter of 17 January 2023 which contained material errors. In his letter Mr K said 'I

reiterate do not dispose of my vehicle as per the letter you sent on 17 January 2023 which causes alarm so please allow more adequate time for responses.'

On 14 February AIE informed Mr K's broker that it had '*requested the salvage yard clear the vehicle for sale.*' Mr K was informed of this and complained to AIE about its handling of his claim, and the decision to salvage his car.

AIE said that it had attempted to contact Mr K about the PAV for his car in August and September 2022 but didn't hear anything back. AIE said it accepted the upset caused to Mr K because of its decision to salvage his car, and so would settle the claim on a total loss basis without deduction of the salvage. Unhappy with AIE's response, Mr K brought his complaint to this service for investigation.

The investigator found that the service provided by AIE fell short of what we'd expect, but also thought the calculation of the market value of Mr K's car for £3,995 (less the policy excess) was fair. The investigator found that AIE hadn't done enough to prevent the loss caused to Mr K by disposing of the salvage without allowing Mr K a fair opportunity to keep it. The investigator asked AIE to pay Mr K £500 for the upset caused to him. Mr K didn't accept the investigator's findings, and asked for his complaint to be escalated. As the complaint couldn't be resolved, it was passed to me for 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.

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 has affected what I think is the right outcome.

Market value

We would usually refer to trade guides to determine complaints about vehicle 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 (where possible) when valuing a vehicle for claims purposes.

As there are no trade guides to consider, I have instead used the adverts that have been provided when applying our approach of fair and reasonable. And all things considered, I'm satisfied the market valuation offered by AIE is in line with what we recommend in the circumstances. I'll explain why.

Mr K has referenced several adverts which he says match the specification, make, and model of his own car. The details for the adverts considered have been set out above. I accept that the adverts show cars similar to Mr K's. And that they're on sale for more than what AIE has agreed to offer Mr K. But I'm also mindful that advertised prices are often the starting point of a negotiation, and are what the seller would like to achieve, rather than the final price the car actually sells for. The valuation of a used car is not an exact science and can be challenging. Cars don't always sell for the price advertised once negotiations take place. So the adverts Mr K has provided are not reflective of the selling price. And Mr K's policy is designed to offer the market value only.

The mileage of Mr K's car was around 63,694 (last MOT recorded on 25th April 2022). The examples Mr K has provided show some cars with substantially less mileage. I'm satisfied that mileage is a significant contributing factor when determining what a fair and reasonable

market value should be based on. The car most comparable to Mr K's from the adverts I've seen is the car described in 'Example 2' above, with mileage of 62,000 and the registration year being the same as Mr K's car (1984). Example 2 is on sale for £4,326. I accept this amount is higher than what AIE is offering Mr K for his car. But all things considered, with what I've explained about selling prices, I'm satisfied what AIE has offered is broadly fair and reasonable, and in line with our approach. So I won't be asking it to increase its offer.

AIE has confirmed that it hasn't made an interim payment to Mr K. In line with our approach I will be directing AIE to pay 8% simple interest per year from the date of the original PAV offer in August 2022, to the date the PAV payment is issued.

Salvage

It's not disputed that AIE failed to properly manage Mr K's claim. And this was to the extent that Mr K has now been deprived of the opportunity to buy back the salvage. Mr K has explained it was his intention to do this, so I can see why he is frustrated by what's happened.

AIE say it made reasonable attempts to contact Mr K. AIE say its claims team contacted Mr K in August and September 2022 about the PAV of his car. But I haven't seen any evidence supporting this. And as the business responsible for managing Mr K's claim, I would've expected AIE to have made further attempts to conclude Mr K's claim. I am mindful that Mr K also didn't contact AIE until receipt of the letter dated 17 January 2023. I've also considered what AIE has explained about storage costs. But I still think it could've made further attempts to reach Mr K, and finalise payment of the PAV, and salvage.

The investigator recommended AIE pay Mr K £500 in recognition of its poor service, including the disposal of Mr K's car without making reasonable attempts to reach him, and depriving Mr K of the opportunity to have his car back. I think compensation of £500 fairly recognises the impact on Mr K by what went wrong with the handling of the claim, but also that the outcome of the claim itself, remains unchanged. I'm also satisfied £500 is broadly in line with our approach to a complaint of this type.

Putting things right

I require Accredited Insurance (Europe) Ltd to do the following:

1. Settle Mr K's motor insurance claim based on a valuation of £3,995 minus the policy excess; and
2. Pay interest, from the date of the original PAV offer in August 2022 to the date the PAV payment is issued. The rate of interest is 8% simple interest per year*
3. Pay Mr K £500 for the trouble and upset caused by its handling of his claim.

*If Accredited Insurance (Europe) Ltd considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr K how much it has taken off. It should also give Mr K 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.

Accredited Insurance (Europe) Ltd must follow my directions above.

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

Neeta Karelia
Ombudsman