

The complaint

Mrs A complains about the settlement provided by Premier Underwriting Ltd (Premier) following the total loss of her car, under her motor insurance policy.

What happened

Mrs A was involved in a car accident. She made a claim to Premier, which it accepted. It told her that her car was a total loss and offered £5,640 less her policy excess and the value of the car's salvage, which she retained.

Mrs A didn't think the settlement Premier offered was fair and she complained to the business.

In its final complaint response Premier says its engineer had calculated the value of Mrs A's car based on price guides, and investigating cars advertised for sale. It maintained that its settlement offer was fair. It confirmed further damage had been identified to the inner structure of Mrs A's car. This meant it was now a category 'S' total loss, which affected its salvage value. Premier told Mrs A her car was valued at £5,640 with a £450 policy excess and £1,184.40 salvage value to be deducted. Its settlement payment came to £4,005.60.

Mrs A didn't think Premier had treated her fairly and she referred the matter to our service. Our investigator upheld her complaint. He obtained a valuation from an industry trade guide that gave the higher value of £6,141. He says Premier hadn't provided information to show that this valuation was unfair. So, he asked it to increase its valuation to the higher amount and pay 8% simple interest on the delayed part of the settlement.

After the policy excess, salvage value, and the original settlement payment were deducted, this meant Premier needed to pay Mrs A £395.79. This is in addition to 8% interest from the date the settlement was first provided until the final amount is paid.

Premier didn't agree with our investigator's findings. It thought the valuation it originally offered was fair. 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 Mrs A's complaint. Let me explain.

I understand that Mrs A wants the best offer she can get following the total loss of her car. Having read her policy terms, the policy provides the market value in the case of a total loss. This is defined as:

"The cost of replacing the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened.."

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

I can see that Premier obtained valuations from the trade guides. The highest of these was for £5,640. Our investigator obtained further valuations. The highest of which was for £6,141. I've checked to see that he used the correct information for Mrs A's car and that he used the correct loss date, which he did.

Premier disputes the approach our investigator took. But as he explained to the business this is the approach our service considers fair. If there is information that shows the higher valuation isn't a fair estimate of the car's market value – then we will consider it. But I can't see that Premier has provided information that shows it's unfair to settle Mrs A's claim based on the higher of the trade guide valuations.

I've seen Premier's repairer's report where it considered Mrs A's car was a category S total loss due to structural damage it'd found. Premier says where a higher market valuation is used this should be reflected in the salvage value. I don't think this approach is unfair. This means the salvage value increased to £1,289.61. When deducting the £450 policy excess, and the payment Premier has already paid, from the higher valuation, this leaves £395.79 to be paid to Mrs A.

I note Mrs A's comments that the category of the total loss changed from 'N' to 'S'. As above this was discussed in the report provided by Premier's repairer. It says further damage was uncovered following an estimate that was produced. The inner structure of the car was damaged, which meant the categorisation had to change. Based on this information I don't think Premier treated Mrs A unfairly.

Having considered all of this I don't think Premier treated Mrs A fairly in respect of the settlement amount it paid. It should now increase the settlement based on the higher trade guide valuation and add 8% simple interest on to the delayed part of this payment.

My final decision

My final decision is that I uphold this complaint. Premier Underwriting Ltd should:

- pay Mrs A £395.79 plus 8% simple interest from the date it settled the claim until this payment is made.

*If Premier considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs A how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 26 August 2024.

Mike Waldron

Ombudsman