

The complaint

Mr S complains that U K Insurance Limited mishandled his claim on a motor insurance policy.

What happened

The subject matter of the claim and the complaint is a sports utility vehicle made by a sports car maker. Mr S acquired the vehicle new in December 2022. The price was about £83,000.00, of which Mr S paid £20,000. For the balance of about £63,000.00, he entered into a finance agreement with a company associated with the car maker.

From December 2022, Mr S insured the car on a comprehensive policy. The policy was branded with the name of the finance company. UKI was the insurance company that was responsible for dealing with any claim. Any claim for damage was subject to an excess of £850.00.

Much of the complaint is about acts or omissions by claims-handlers of the finance company on behalf of UKI. Insofar as I hold UKI responsible for them, I may refer to them as acts or omissions of UKI.

Unfortunately, Mr S reported that on 7 January 2023, an incident had damaged the car.

By early February 2023, Mr S had got his preferred garage to do a repair quote.

By mid- February 2023, UKI said the vehicle was a total loss and its pre-incident value had been £78,860.00. UKI also said that, if Mr S wanted to retain the damaged car, it would make a deduction of £23,660.00 for salvage. Mr S didn't agree with those figures.

By 7 March 2023, UKI increased its pre-incident value to £91,850.00. Mr S still didn't agree.

UKI didn't mention an increased salvage figure.

The finance company gave UKI a settlement figure of about £63,500.00. Based on that figure and its figures of £78,860.00 (rather than its revised figure of £91,850.00) less £23,660.00 and £850.00, UKI calculated that there would be a shortfall of £9,165.07 against the settlement figure.

On 13 March 2023, UKI sent Mr S an email saying that, to retain the vehicle, he would have to pay £9,165.07.

On 14 March 2023, UKI and Mr S had telephone calls. UKI said that the retention fee was £9,165.07. Later that day, UKI told Mr S the retention fee was £23,660.00. Later again that day UKI said the retention fee was £9,165.07.

On 15 March 2023, Mr S paid the £9,165.07.

UKI paid the finance company £63,523.07 to settle the finance agreement.

On 16 March 2023, UKI sent Mr S a letter containing the figures of £78,860.00 for the valuation and £23,660.00 for the retention fee. Mr S complained to UKI.

By 11 April 2023, UKI had told Mr S that the salvage value was £31,323.00 and he had disagreed.

UKI refunded Mr S £5,319.00.

On 10 May 2023, UKI told Mr S of his right to bring his complaint to us.

By a final response dated 24 May 2023, UKI said that the correct valuation was £91,850.00 and the retention fee should be £31,323.00. It said that because he had already paid £9,165.07, its system said that the retention fee would be £22,157.93, which generated the refund of £5,319.00. UKI apologised for its errors and said it would pay Mr S £750.00 compensation.

The final response said that Mr S could choose to retain the salvage if he had paid the amended retention fee of £31,323.00. Alternatively, if he didn't keep the vehicle, UKI would refund the retention fee. In addition, UKI offered to refund any interest he may have been charged from borrowing money to pay the £9,165.07.

Mr S brought his complaint to us on 22 November 2023. He asked us to order UKI to pay him:

1. £31,323.00 less £5,319.00, a balance of £26,004.00 plus interest; and
2. reimbursement for the hire costs he incurred whilst waiting for UKI to investigate the complaint.

Later Mr S showed us an invoice dated 15 March 2023 for parts totalling £10,070.00. He also told us that he'd sold the damaged vehicle and the parts for £33,700.00. Mr S asked us to order UKI to:

1. reimburse him for the money he lost paying for the parts to repair the car; and
2. increase its valuation of his car.

our investigator's opinion

Our investigator recommended that the complaint should be upheld in part. He thought that UKI had made multiple errors throughout the claim and initially provided a settlement offer of £78,860 that was evidently too low. Having considered the impact caused, he thought that the compensation of £750.00 already paid was fair and reasonable.

He thought that the valuation of £91,850.00 was fair. So he wouldn't expect UKI to reimburse any hire costs.

The investigator thought that UKI's errors in failing to provide Mr S with the correct information regarding the settlement and retention figures ultimately led to him purchasing the parts and therefore being at a financial loss. The investigator thought that Mr S could've done more to mitigate his losses, so it wouldn't be reasonable to expect UKI to reimburse him for the full cost of the parts.

The investigator thought that a fair and reasonable compromise and resolution would be for UKI to reimburse Mr S for 50% of the cost of the parts evidenced in the invoice less the £2,377.00 he received for the sale that was above the retention fee figure.

The investigator recommended that UKI should:

1. reimburse Mr S £3,846.50 and pay him 8% interest on this amount from 15 March 2023 up until this is paid to him; and
2. reimburse Mr S any interest he incurred on the £9,165.07 he said he had borrowed in order to pay the shortfall, following evidence being received of this.

UKI accepted the investigator's opinion.

Mr S disagreed with the investigator's opinion.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr S and to UKI on 25 July 2024. I summarise my findings:

I was minded to find it fair and reasonable to hold UKI to its figure of £9,165.07 for salvage (which Mr S had already paid). As I understood it, that would require UKI to make a further payment to Mr S of £22,157.93.

I was minded that UKI should've paid that further amount by 15 March 2023. So I was minded to find it fair and reasonable to direct UKI to pay interest from that date at our usual rate.

Subject to any further information either from Mr S or from UKI, my provisional decision was that I upheld this complaint in part. I intended to direct U K Insurance Limited to pay Mr S, in addition to its previous payments:

1. a further £22,157.93 for his damaged vehicle; and
2. simple interest at a yearly rate of 8% on that further amount from 15 March 2023 to the date of the further payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr S how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Mr S accepted the provisional decision.

UKI disagreed with the provisional decision. Its response is set out below under the heading "UKI's response to the 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.

I've taken into account the relevant general law (including the law of contract and mistake), regulation and good practice. Having done so, I have to decide what's fair and reasonable.

Pre-Accident Valuation

The policy required UKI to compensate the policyholder for the market value of their vehicle.

The policy defines market value as:

“the cost of replacing your car with another of the same make and model, and of a similar age, mileage, and condition at the time of the accident or loss.”

In assessing what constitutes a fair value we generally expect insurers to review relevant guides to motor valuations – which is also our starting point for most valuation complaints.

Mr S told us (including in his complaint form and in response to the investigator’s opinion) that on 15 March 2023, he’d accepted UKI’s valuation of £91,850.00. So I don’t consider that he’s pursuing a complaint about that valuation. Nevertheless, I make the following observations about that valuation.

The investigator got a bespoke valuation as follows:

CAP	£65,500.00
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I have reviewed Glass's Market Value, Auto Trader and Percayso guides, which gave values as follows:

Glass's	£78,820.00
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Percayso	£89,102.00
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Auto Trader	£90,804.00
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So UKI’s valuation of £91,850.00 was higher than the highest of the trade guide valuations. As I’ve said, I don’t consider that Mr S is pursuing a complaint about that valuation.

Salvage and spare parts

I haven’t seen the finance agreement. Nevertheless, I find it likely that the vehicle belonged to the finance company unless and until someone paid the outstanding balance. So, Mr S ought reasonably to have known that if he wished to acquire the damaged vehicle, he and UKI between them would have to pay the finance company about £63,000.00.

UKI was responsible for multiple errors. That included giving Mr S conflicting and confusing information about the salvage retention fee.

Mr S hasn’t provided enough evidence as to when his garage started repairs. So it could’ve been after UKI said the retention fee was £23,660.00 or after UKI said the retention fee was £9,165.07. I don’t consider that Mr S’s evidence shows that he made the decision to initiate the repair in reliance on UKI’s figure of £9,165.07.

Nevertheless, UKI gave him a figure of £9,165.07 and he paid it in full and final settlement of the salvage.

Mr S has repeatedly said that he borrowed the £9,165.07. However, even when UKI offered to reimburse interest or when the investigator recommended interest, Mr S hasn’t provided any documentation recording any borrowing. So I’m not persuaded that he borrowed that

money. That doesn't affect my proposed outcome as I intend to direct UKI to pay interest on a larger amount for reasons that I will come to.

Mr S has said that he bought parts on 15 March 2023. However, he didn't include that in the detailed timeline he gave in his complaint form. It was later that he provided us with a garage invoice for £10,070.00. That is a great deal of money to change hands under a handwritten invoice with no VAT number. So I'm not persuaded that the invoice shows that Mr S ordered or paid for parts on 15 March 2023.

Also, Mr S hasn't provided enough evidence of when he sold the damaged vehicle and the parts.

I'm not persuaded that UKI caused Mr S a financial loss on the part- repair and sale of the damaged vehicle and parts. That doesn't affect my proposed outcome as I intend to direct UKI to pay a larger amount for reasons that I will come to.

I don't consider that it can be fair for UKI to apply a salvage deduction of £31,323.00 in circumstances where it hadn't mentioned that figure (or any formula for calculating it) until long after Mr S thought he'd bought the damaged vehicle for £9,165.07.

I also don't consider that it can be fair for UKI to apply a salvage deduction of £23,660.00 in circumstances where there was a dispute about the valuation and the salvage deduction and UKI had agreed to accept £9,165.07 in full and final settlement of the salvage.

Hire costs

The policy would've provided a courtesy car during any repair. However, it wouldn't have provided a courtesy car after UKI said the insured vehicle was a total loss or after Mr S decided to instruct a non-approved repairer. In any event, the policy wouldn't have provided a courtesy car of the value of Mr S's vehicle.

As I'm holding UKI to its figure of £9,165.07 for salvage, I don't find it fair and reasonable to direct UKI to compensate Mr S for any hire charges during the repair or part-repair by his preferred garage.

Distress and inconvenience

The incident and the need to make a claim were bound to cause Mr S distress and inconvenience. Also, it was his decision to keep the damaged vehicle and to arrange repairs and sale.

However, I've seen that UKI caused him unnecessary extra distress and inconvenience at an already difficult time. UKI tried to put that right with its payment of £750.00. I'm satisfied that this is fair and reasonable, only when coupled with the further payment of £22,157.93 for his damaged vehicle.

UKI's response to the provisional decision

UKI says the following:

"The initial valuation placed on the vehicle was £78,868, which generate a salvage retention fee of £23,660.00. The outstanding finance on the vehicle was £63,523.07. This meant that if the customer wanted to retain the vehicle there would a shortfall between the valuation, finance balance and the retention fee, this amount was £9,165.07."

*First valuation - £78,868
Finance - £63,523.07
Less excess - £850
If not retaining, amount to customer = £14,494.93*

*If customer retaining
£14,494.93
Salvage - £23,660
Customer owes us £9,165.07*

The amount of £9,165.07 was not advised to the customer as the retention fee, but as the shortfall he'd need to pay us as noted above. We received this payment from the customer.

When the vehicle valuation was increased to £91,850.00, the salvage retention fee increased to £31,323.00.

*Second valuation - £91,850
Finance - £63,523.07
Less excess - £850
If not retaining, amount to customer = £27,476.93*

*If customer retaining
£27,476.93
Salvage - £31,323
Customer owes us £3,846.07
As we're aware, the customer was not clearly advised of the increase to the salvage retention fee.*

Therefore, we propose that the initial salvage retention fee is honoured, £22,660.00. This would mean:

*Second valuation - £91,850
Finance - £63,523.07
Less excess - £850
If not retaining, amount to customer = £27,476.93*

*If customer retaining
£27,476.93
Salvage - £22,660
We owe customer £4,816.93*

The customer paid us the shortfall of £9,165.07. We then refunded £5,319.00, the difference being £3,846.07. Therefore, the difference between what we owe the customer, if the lower salvage amount is honoured, £4,816.93, and what the customer has paid us, £3,846.07, is £970.86, which we'll be happy to return to the customer."

I accept that the amount of £9,165.07 was the shortfall Mr S would've needed to pay to clear the finance based on UKI's valuation of £78,860.00. However, UKI later increased its valuation to £91,850.

Further, I find that UKI advised Mr S of the figure of £9,165.07 as a retention fee rather than as such a shortfall. In any event, I've found that where there was a dispute about the

valuation and the salvage deduction and UKI had agreed to accept £9,165.07 in full and final settlement of the salvage.

Those findings are based on my review of all the call recordings and written messages. For example, an email from UKI dated 15 March 2023 includes the following:

“We can confirm that a total payment of £9,165.07 was paid by yourself, today to settle the vehicles retention fee in full”

So I’ve not found it fair for UKI to apply a salvage deduction of £23,660.00.

Putting things right

Rather, I find it fair and reasonable to hold UKI to its figure of £9,165.07 for salvage (which Mr S has already paid). That will require UKI to make a further payment to Mr S calculated as follows:

pre-incident valuation	£91,850.00
less	
excess	£ 850.00
paid to finance company	£63,523.07
refunded to Mr S	£ 5,319.00
further payment due	£22,157.93

I consider that UKI should’ve paid that further amount by 15 March 2023. So I find it fair and reasonable to direct UKI to pay interest from that date at our usual rate.

Overall, I find it fair and reasonable to direct UKI to pay Mr S, in addition to its previous payments, the further amount of £22,157.93.

My final decision

For the reasons I’ve explained, my final decision is that I uphold this complaint in part. I direct U K Insurance Limited to pay Mr S, in addition to its previous payments:

1. a further £22,157.93 for his damaged vehicle; and
2. simple interest at a yearly rate of 8% on that further amount from 15 March 2023 to the date of the further payment. If UKI considers that it’s required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr S how much it’s taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 9 September 2024.

Christopher Gilbert
Ombudsman