

The complaint

Mr P has complained about the way U K Insurance Limited trading as Churchill (UKI) settled a claim he made under his car insurance policy. Mr P also complained about the service he received from UKI.

What happened

In May 2023 Mr P was involved in an incident and his car was damaged. He said the police arranged recovery of his car to his home address, where it remains, and which Mr P was charged for. Mr P made a claim to his insurer, UKI.

Mr P's is an imported car with a rare specification and is over twenty years old. Mr P provided photos of his car for UKI's engineer to assess. And he provided an estimate from a garage for repairs for £4,265.20. UKI contacted the garage and discovered that not all parts were included in the estimate as the garage couldn't source them.

UKI made the decision to settle Mr P's claim as a total loss and paid him a market value settlement for his car. According to UKI's letter to Mr P dated 18 July 2023, UKI paid a market value settlement of £3,450.00. UKI told us it made a deduction from the settlement of £182 as Mr P's vehicle was an import.

Mr P complained to UKI about a number of issues: about the valuation, failing to properly consider his repair estimate, delay, failing to keep him updated, paying the settlement to his bank without his permission, not providing a courtesy car, not providing recovery, and giving a fictitious estimate for repairs. Mr P was unhappy with the way calls were handled in relation to security information requested and provided.

Mr P complained that UKI had suspended his policy, which meant he wasn't insured to drive other cars. He was unhappy with the increase in his premium at renewal. He said he bought a lower specification model of his previous car for more than the market value UKI had paid. Mr P wanted UKI to refund the portion of the premium he paid for recovery under his policy.

In August and September 2023 UKI upheld some of Mr P's complaints. It said it spoke to the recovery agent and discovered that an agent was instructed to provide recovery, so it isn't clear where the confusion was caused. It said it was clear that UKI had caused unnecessary delays and failed to settle Mr P's claim promptly.

For the poor service it provided and in relation to recovery, UKI paid Mr P a total of £350 compensation.

UKI said it had correctly valued Mr P's car and had correctly calculated the premium at renewal. It didn't agree to provide a refund of premium for recovery as it had compensated Mr P for the poor service here. As it had settled the claim as a total loss, Mr P wasn't entitled to a courtesy car – and as there was no insured car for UKI to cover, the policy was correctly suspended. UKI said it had paid Mr P the market value settlement to his account in line with its right to decide how to settle a claim.

UKI said it had correctly asked security questions of Mr P and was correct not to provide key information to Mr P before doing this.

Mr P remained unhappy and asked us to look at his complaint.

UKI made an offer to increase the compensation award from £350 to £550, which Mr P didn't accept.

Our Investigator didn't agree that UKI had reached a market value settlement in a fair way. He found from the adverts provided and available, the one closest to Mr P's car was advertised for £6,499. So he thought a fair outcome was for UKI to increase its market value settlement to a mid-way sum. The Investigator therefore recommended UKI pay a market value settlement of £5,065.50 and pay interest on the difference.

He also recommended UKI increase the compensation total award to £700 for the delay and poor service provided. The Investigator thought UKI had fairly dealt with Mr P's remaining complaints.

Mr P didn't agree and reiterated all of his complaints. In addition he said UKI had refused to provide call recordings or transcripts requested. He's unhappy that he has been unwillingly storing the car at his home address. To settle his complaint, Mr P wants UKI to pay a higher valuation of £6,499 and £700 compensation.

UKI said it would pay the Investigator's recommended revised market valuation minus a 5% deduction for it being an imported car, along with the recommended increase in compensation.

In response to Mr P's comments, we asked UKI for further information. We asked why it hadn't collected Mr P's car, given his complaint that it has been on his driveway all this time and 'in the way'.

UKI advised that it requested permission from Mr P to collect his car in July 2024, which he refused "pending a mutually acceptable agreement".

In October 2024 UKI wrote to Mr P to make arrangements to collect his car as it hasn't been able to salvage it following its total loss settlement.

In response, Mr P said it was inopportune and premature for UKI to take possession.

We asked UKI to evidence where an engineer had advised of repair costs of £11,500 – as the engineer's report shows estimated repairs costs for lower than this. It says the only reference it has is Mr P's record of the call he had with its engineer.

We asked UKI if it had provided a copy of the engineer's report to Mr P as he'd requested since July 2023. UKI said it has no record of providing this to Mr P.

We asked UKI if Mr P had made a Subject Access Request (SAR) to receive a copy of call recordings or transcripts.

UKI provided a copy of an email exchange between it and Mr P on 30 October 2023. UKI offered to provide Mr P with details of how to request data from it. In response Mr P said there was a misunderstanding and he had wanted UKI to review their security guidance in line with an attachment he'd provided.

So, as Mr P doesn't agree, the case 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.

For ease, I've set out Mr P's complaints under headings below.

UKI paid an unfair market value for his car

We look at whether an insurer reached its valuation reasonably and in line with the policy.

UKI says the most it will pay in the event of a claim is the market value of Mr P's car at the time of loss. It defines the term 'market value' as;

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

Our usual approach when deciding if an insurer has acted fairly is to check the main motor trade guides. They provide valuations for the same make, model, specification, condition and mileage for a similar car for the month of loss. However, in this case, Mr P's car is an import and very few similar cars are available for sale. So the trade guides didn't produce an average valuation for Mr P's car. And it is very difficult to find similar vehicles for sale for comparison.

Of the examples available, the closest match to Mr P's vehicle was advertised at £6,499.

According to the last MOT in December 2022, Mr P's car had travelled just over 78,500 miles. The incident happened in May 2023.

The closest match to Mr P's car was for sale with 70,573 miles, and was two years younger than Mr P's car.

So I agree that the fairest outcome is for UKI to increase the market value settlement to a mid-way point, to £5,065.50.

I think UKI didn't reach its valuation in a reasonable way – and so I think it should pay interest on the difference from one month after the date of the incident to the date it pays at a rate of 8% simple interest a year. We think it's reasonable for an insurer to settle a total loss claim within one month.

UKI says it intends to make an import deduction of 5% from the increased valuation. It's not clear to me whether UKI made a deduction from the original settlement, but in any event I don't think it is reasonable to make a further deduction in this case. So I think UKI should pay the difference in what it has already paid Mr P and £5,065.50.

UKI told Mr P the estimated costs to repair his car were £11,500 and failed to provide Mr P with a copy of its engineer report

I've no reason to doubt Mr P's account that he was given an estimated cost of repairs of £11,500 over the phone. I don't know the context under which this estimate was given, but it doesn't seem to tie in with the estimated repairs provided by UKI in the engineer's report. Their report shows an estimate for repairs at £7,287.05.

It's clear that Mr P asked UKI for a copy of the engineer report since July 2023, but on checking with UKI, it hasn't provided one to him. It hasn't explained why.

I see no reason why UKI hasn't shared the engineer's report with Mr P and so I am sharing it with my decision.

I've considered what difference it would have made to the outcome, had UKI's engineer agreed with the estimate provided by Mr P's garage, and if it had provided a copy of the engineer report sooner. In my view, it wouldn't have made any difference. I say this because as the Investigator explained, if the repair costs are over 60% of the market value of a vehicle, an insurer can decide to settle the claim as a total loss. Taking into account the lower estimates, and the recommended higher valuation for Mr P's car at £5,065.50, I find UKI's decision to settle on a total loss basis rather than repair was fair and reasonable.

I've also kept in mind that the estimate provided by Mr P's garage is only a partial estimate. It doesn't quote for all parts necessary as it says it cannot source all of them, due to the car being an import. The inspection was carried out at Mr P's home address. The estimate also reads:

"Parts listed are needed from cursory inspection – vehicle may require further parts"

And;

“Labour – we have never worked on this vehicle so cannot estimate the labour at this time. We would need to raise the vehicle on a ramp and check estimated repair labour time”

And;

*“Advisories – estimate is still missing – steering rack as cannot source
Estimate is still missing bodywork and repairs”*

The estimated costs to replace the steering rack according to UKI's report was £2,300 excluding labour.

So I think UKI has provided a poor service in failing to address Mr P's request for a copy of the engineer's report. But as the outcome would have been the same – because UKI could still settle the claim as a total loss - I've taken this into account when considering the compensation award made by UKI and the Investigator's recommendation. I will address this overall later in my decision.

UKI increased Mr P's renewal premium

We know that insurers constantly update how they rate the risk of consumers. And their rates continually change. We ask insurers to provide this service with confidential business sensitive information to explain how a price was calculated. This isn't something we share with customers, but it enables this service to check carefully that an insurer has treated a customer fairly.

Each insurer's appetite for risk varies. This is why we see such a difference in prices on comparison websites when looking for the same cover.

Having reviewed the information provided by UKI, I'm satisfied that it has treated Mr P fairly and as it would any other customer in the same circumstances. So I'm not asking it to change the renewal premium or the impact the claim may have had on Mr P's No Claims Discount.

UKI failed to send a copy of all call recordings or transcripts

From the evidence available, Mr P was provided with the option to make a SAR, but his response to UKI's email dated 30 October 2023 shows he didn't want to pursue this option. So from what I've seen, I can't safely conclude that UKI failed to provide Mr P with requested call recordings or transcripts.

UKI left Mr P's car on his driveway causing access issues

Mr P says the police arranged recovery of his car to his home address. In addition to the email exchange quoted in my *'what happened'* section, I've seen a copy of an email dated 26 July 2023 where Mr P did not give UKI permission to collect his car until his complaint was resolved.

I've considered the delays UKI caused while dealing with Mr P's claim separately and I've addressed the overall level of compensation later in my decision. I understand Mr P brought his complaint to us about UKI's refusal to arrange repairs for his car and instead settle it as a total loss. But I haven't upheld that complaint. I think UKI's decision to settle the claim as a total loss was reasonable. So as UKI has settled Mr P's claim in this way, it is entitled to either deduct a salvage fee if Mr P wants to keep the car, or allow UKI to collect it for salvage.

UKI failed to provide a courtesy car

Mr P is entitled to a courtesy car for the duration of repairs under his policy with UKI. So I don't think UKI acted unreasonably by not providing Mr P with one as it didn't repair his car.

I've addressed the delay UKI caused in deciding how to settle Mr P's claim later in my decision.

UKI failed to arrange recovery of his car but he paid for recovery

UKI accepts there was confusion in arranging recovery of Mr P's car. It upheld this complaint and its compensation award already paid took this into account.

UKI paid a market value settlement to Mr P without his permission

I understand Mr P didn't agree to receiving the market value payment from UKI. But I don't think UKI's decision to make a payment in this way was wrong. A consumer isn't prejudiced from pursuing his complaint when this happens – and we think it is right for an insurer to pay at least an interim payment, as it isn't fair to leave a customer without the benefit of a settlement just because there is a dispute over the amount.

UKI suspended Mr P's policy which prevented him from driving other cars

As UKI settled Mr P's claim by paying a total loss settlement, there was no longer an insured car under the policy. So I don't think it was unreasonable for it to have suspended Mr P's policy until either he arranged repairs and obtained a valid MOT, or replaced his car with another one.

UKI failed to ask or request adequate security information in calls with Mr P

I don't think it unreasonable for UKI to have asked Mr P security questions before discussing his policy with him on the phone.

UKI caused avoidable delays and provided a poor service

It's clear that UKI caused avoidable delays and failed to deal with Mr P's claim as quickly as it should have. Mr P spent hours on the phone waiting to speak to UKI, and in emails to chase for progress on his claim. I think UKI caused an unreasonable delay in settling Mr P's claim.

This delay impacted Mr P and meant he was without a replacement car for longer than reasonable. He explained that he needed to take his wife to hospital appointments, and this was difficult without a car.

For the distress and inconvenience caused by the overall poor service provided by UKI, I think it should pay a total compensation sum of £700.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require U K Insurance Limited trading as Churchill Insurance to do the following:

- Increase the market value settlement to £5,065.50.
- Pay Mr P interest on the difference.
- Interest should be calculated at a rate of 8% simple interest from one month from the date of the incident to the date UKI pays.
- Pay Mr P a total compensation award of £700, so £350 in addition to the £350 already awarded, for the distress and inconvenience caused by its poor service.

U K Insurance Limited trading as Churchill Insurance must pay the compensation within 28 days of the date on which we tell it Mr P accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 November 2024.

Geraldine Newbold
Ombudsman