

The complaint

Mr F complains about the settlement Advantage Insurance Company Limited (Advantage) offered following the total loss of his car. In addition to defective repairs from an earlier damage claim and its refusal to offer cover for his replacement car, under his motor insurance policy.

What happened

Mr F was involved in a car accident in September 2023. Advantage arranged for the repairs under his policy cover. Mr F found aspects of the repairs that were unsatisfactory, including issues with the upholstery and various clips that were missing. He also complained about further damage caused to his car's bumper. Unfortunately, due to a flood, Mr F's car was subsequently categorised as a total loss. But he says the settlement payment he was offered by Advantage doesn't fairly reflect the market value of his car.

Advantage sent two final response letters. In the first, dated in January 2024, it confirmed it offered £150 for the bumper damage. It says Mr F didn't accept this, but as the car is now a total loss this repair was no longer necessary. However, Advantage says it still arranged for a cheque for £150 to be sent to Mr F. The business says arrangements were made for its repairer to carry out rectification work for the issues highlighted. But Mr F's car was declared a total loss prior to this happening because of flood damage.

Advantage says Mr F wasn't willing to accept the return of his car due to the issues he describes with the quality of the repairs. However, the courtesy car he was given was withdrawn at this point. To acknowledge the additional travel costs Mr F incurred as a result of this it paid him £379.

Advantage says its underwriting criteria meant Mr F's replacement car couldn't be insured under his existing policy.

In its complaint response sent in February 2024 Advantage says it assessed the market value of Mr F's car using the industry trade guides. It says its offer of £15,850 was fair.

Mr F didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. She obtained valuations from other trade guides which gave a higher market value for Mr F's car. She says Advantage should pay £16,937 to settle the claim plus 8% simple interest on the unpaid amount. Our investigator thought £150 was fair in relation to the bumper issue. But she asked Advantage to pay £100 compensation for the impact the lower settlement payment had on Mr F. In addition, she says the business should pay the travel costs he'd shown.

Advantage maintained that its settlement offer was fair. It provided adverts showing similar cars for sale in support of this point. Mr F didn't think his concern about Advantage not insuring his replacement car has been addressed.

As an agreement wasn't reached the matter has been passed to me to decide.

I issued a provisional decision in September 2024 explaining that I was intending to uphold Mr F's complaint. Here's what I said:

provisional findings

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 my intention is to uphold this complaint. Let me explain.

repairs/transport costs

Advantage's policy is intended to indemnify Mr F against an insured loss. This means - in the event of an insured loss - it must put him back in the position he was in prior to the loss occurring. The initial loss was the damage that resulted from the accident Mr F was involved in. His policy provides for a repair in these circumstances. We expect any repair that Advantage arranges to return the car to its pre-loss condition.

Based on the photos Mr F provided he had reasonable cause to complain about the standard of the work. I can see areas of upholstery repairs that don't look to have been completed to a good standard. There are also a number of areas where carpeting hasn't been fitted correctly and there were broken, and loose fixings left in the car. Advantage doesn't dispute this. It also doesn't dispute that damage was caused to Mr F's bumper whilst in its care.

In these circumstances we think it's fair to allow Advantage the opportunity to rectify these issues. However, Mr F's car was considered a total loss due to flood damage that occurred before these repairs could be carried out. I think it's fair that Advantage paid Mr F £150 relating to the bumper damage. Clearly there's no requirement for the remedial repairs to be completed now. But in the circumstances, given the impact the substandard repairs had on Mr F, this was a fair outcome.

Mr F was provided with a courtesy car whilst his car was being repaired. But this was withdrawn after the repairs were completed. I don't think this was fair given Mr F highlighted concerns with the quality of the repairs. He also highlighted concerns with his car pulling to one side, which he thinks resulted from the accident. Mr F didn't think the car was safe to drive. In these circumstances I think a reasonable course of action would've been to allow Mr F to retain the courtesy car whilst the rectification work was completed. As this didn't happen I think it's fair that Advantage considers Mr F's travel costs for this period.

Mr F has supplied copies of taxi fare receipts. I note Advantage paid him £379 toward these costs but Mr F says this doesn't cover the full amount. I can also see that Advantage asked Mr F for the name of the taxi company he used, and to show cash withdrawals for any journeys he paid for by cash. Mr F responded to say he used a local taxi driver that he knows and not a taxi firm. He says he often gets paid in cash, so his bank statements won't provide proof of taxi journeys he's taken.

I've looked at the receipts Mr F provided. These cover the period he was without a car and amount to £400. In addition, there is one receipt for a further £300. The receipt gives the pick-up and destination postcodes with 'times five' written next to it. I'd expect to see a receipt for each journey taken for Advantage to be able to verify these costs. Based on the evidence I've seen I think it was reasonable for Advantage to refund the taxi fares, but it should pay this in full. This means a further payment for £21 is required.

Settlement

Mr F's policy provides the market value in the event of a total loss due to flood damage. This is defined as:

"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."

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.

Advantage obtained a valuation from two of the trade guides. I've looked to see that it used the correct mileage, age, make and model of car, which it did. We generally refer to four of the trade guides when looking to see if an insurer has treated its customer fairly. Our investigator was able to obtain a valuation from two more trade guides. The highest of these gave a value of £16,937. Again, I checked to see that our investigator used the correct information for Mr F's car and that she used the correct loss date, which she did.

Valuing second-hand vehicles isn't an exact science so we look to see that Advantage took a reasonable approach in these circumstances. I think it did when using the trade guides to establish the market value for the car. Advantage has provided two adverts showing similar cars for sale to support that its offer was fair. I've looked at these adverts. One car is for sale at £15,475. This car was registered in the same year as Mr F's car and has covered around 5,000 additional miles. The next is advertised at £15,950. This car is registered in the same year and with around 8,000 fewer miles.

For a number of reasons, second hand cars are increasingly selling either close to, or for their advertised price. So, where there is a variance in the trade guide valuations, we think the best way to ensure a customer receives a fair settlement payment is for the insurer to pay the highest of the valuations. This is unless it can provide persuasive evidence to show that a lower figure is fair.

I've considered the adverts Advantage provided. These show two cars at around the offer it made. However, the trade guides I've seen include information showing a number of cars above the higher valuation our investigator obtained. What this shows is that there is a range of values for similar cars to Mr F's that are being offered for sale. So, I'm not persuaded from the adverts Advantage provided, that its offer was fair.

In these circumstances I think the fairest approach is for Advantage to pay the highest of the trade guide valuations. It should also pay 8% simple interest on any unpaid amount from the date the settlement was originally offered until payment is provided in full. I agree with our investigator's findings that Mr F suffered distress and inconvenience as a result of the unfair valuation. This meant he had to make additional contact with the business and attempt to find a replacement car for the lower valuation it had offered. It should pay him £100 compensation to acknowledge the impact this had.

cover for the replacement car

Mr F complains that Advantage wouldn't insure his new car under his existing policy. This is despite having nine months left on the policy term. He says he's paid in full for 12 months cover, but the policy has now cancelled. Mr F says that despite this Advantage was able to provide cover for his new car on a new 12-month policy. He says this was the exact same model of car.

I asked Advantage to provide its underwriting criteria to show that it was unable to provide cover for Mr F's new car. It responded to say that as more than 30 days elapsed from when the quote for the new car was run, it can no longer retrieve the underwriting decline message. It says the most likely reason for the decline is that the quote was over the "max premium". It says this is likely due to Mr F now having a claim on record, his age, and that the new vehicle had been owned for less than a year. Advantage says these rating factors will have meant it wasn't able to offer cover, for Mr F's new car, under the existing policy. However, it says the same limitations wouldn't apply under a new quote with new rating factors/terms. It says this is why it was able to offer cover for Mr F's new car under a new policy, albeit at a higher price.

I can understand Mr F's concern that his existing policy couldn't be used to cover the same model of car that he bought as a replacement. This meant spending more on a new policy. Having considered the information Advantage provided, I'm not persuaded that it acted fairly when it declined to cover Mr F's replacement car under his existing policy.

Mr F's policy terms say if his claim is settled on a total loss basis, and he doesn't replace his car within 30 days, Advantage will cancel his policy. Mr F replaced his car with the same make and model within this period, but Advantage still cancelled his policy. The policy allows Mr F to replace his car within 30 days, but the rating criteria Advantage says it used means the policy must be cancelled. Mr F did what he was expected to do under his policy terms to allow his policy to continue. So, although I've considered what the business says, I don't think it's shown that it acted fairly here.

In these circumstances I think it's fair for Advantage to refund Mr F what he paid for his new policy. This should correspond with the remaining term on his policy when it was cancelled.

I said I was intending to uphold Mr F's complaint and Advantage should:

- settle Mr F's claim for £16,937 less any policy excess, plus 8% simple interest on any unpaid amount from the date of the original settlement offer until payment is made in full;
- pay Mr F £21 to cover his remaining travel expenses;
- pay £100 compensation for the distress and inconvenience it caused; and
- refund what Mr F paid for his new policy, to correspond with the time he had left on his cancelled policy.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Advantage didn't respond with any further comments or information for me to consider.

Mr F responded to say he used a different insurance company when Advantage wouldn't let him insure his replacement vehicle on his existing policy. He says he didn't take out another policy with Advantage and it should pay for the period he had remaining on his policy.

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 considered Mr F's further comments. Perhaps what I said in my provisional decision wasn't clear. So, for clarity, I agreed it wasn't fair that Advantage declined to add a new car onto Mr F's existing policy. This meant he had to find a new policy and pay another premium when he had a period of cover remaining on his existing policy.

In my provisional decision I said Advantage should refund what Mr F paid for this new policy to correspond with the time he had left on his cancelled policy. This means he should receive a refund for the new policy (with the new provider) equal to the time he had left on the cancelled policy.

I think this represents a fair outcome. My decision hasn't changed. But I hope the explanation I've provided here makes clear that Mr F will be refunded for the duplicate premium he paid, should he accept my decision.

My final decision

My final decision is that I uphold this complaint. Advantage Insurance Company Limited should:

- settle Mr F's claim for £16,937 less any policy excess, plus 8% simple interest* on any unpaid amount from the date of the original settlement offer until payment is made in full;
- pay Mr F £21 to cover his remaining travel expenses;
- pay £100 compensation for the distress and inconvenience it caused; and
- refund what Mr F paid for his new policy, to correspond with the time he had left on his cancelled policy.

*If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr F how much it's taken off. It should also give him a tax deduction certificate 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 F to accept or reject my decision before 4 December 2024.

Mike Waldron
Ombudsman