

The complaint

Mr D complains about U K Insurance Limited's (UKI) handling of his claim and the settlement he was offered for the total loss of his car, under his motor insurance policy.

All references to UKI include its agents and contractors.

What happened

Mr D's car was damaged when he hit a pothole. He contacted UKI to make a claim. It arranged for the damage to be inspected. He was subsequently told his car was being repaired. But was later told it wasn't economical to repair and had been categorised as a total loss. Mr D was paid £1,047 after deduction of his policy excess and £750 for pre-existing damage. He didn't think this payment was fair.

In its final complaint response UKI says its engineer applied an average of the industry trade guide valuations, when valuing Mr D's car. It didn't think it had acted unfairly and had followed its policy terms and conditions when paying Mr D his settlement.

UKI acknowledged it hadn't informed Mr D his car was sent to a main dealer for an assessment of the damage. A text message was sent in error telling him his car was being repaired. The main dealer thought the damage was age related and wasn't an insured loss. On further consideration UKI decided the damage was covered and it deemed the car to be a total loss. It says this was confirmed to Mr D five weeks after his car had been collected.

UKI says the standard of communication should've been better. Next steps weren't made clear, and this caused Mr D frustration. UKI reviewed a call it had with Mr D and determined the service it provided was below expected standards. However, it says it arranged for a hire car in line with its policy terms. It also extended the hire when Mr D disputed the settlement value. UKI says the hire should have ended at this point. There was a miscommunication with the hire company and UKI accepts the hire vehicle was demanded back in error. It also acknowledges a delay in its engineer responding to Mr D's dispute. It paid him £350 compensation to put this right.

Mr D didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He says the approach our service takes is for the highest of the trade guide valuations to be paid, unless there is persuasive evidence to show a lower amount is fair. He didn't think the condition of Mr D's car should impact on its value given its age, so he says UKI should base its settlement on £2,295, which was the highest valuation, less the policy excess.

UKI didn't accept this outcome. It says it made a fair adjustment to reflect the condition of Mr D's car, which included a number of defects that weren't due to normal wear and tear. Our investigator didn't change his mind, so UKI asked for an ombudsman to consider the matter.

It has been passed to me to decide.

I issued a provisional decision in October 2024 explaining that I was intending to partially uphold Mr D'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 in part. Let me explain.

Mr D's policy provides the market value in the event of a total loss due to accident damage. This is defined 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."

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.

UKI obtained valuations from three of the same trade guides that we use. I've looked to see that it used the correct mileage, age, make and model of car, which it did. I also checked to see that it used the correct date for Mr D's loss, which it did. It used an average of these guides when offering a settlement payment, which came to £2,117. But the highest of the valuations was £2,295.

Our investigator was able to obtain valuations from three of the four guides we use. The fourth didn't provide a value due to the age of the car. I can see the correct details for Mr D's car was used in obtaining these valuations. The highest of the valuations was £2,295, which is the same as UKI obtained.

UKI has supplied copies of two adverts showing similar cars for sale. It says there are only limited examples with this engine size.

I've looked at these adverts carefully. UKI says both cars have covered significantly less miles than Mr D's car. But the mileage is only confirmed in one of the adverts. It's also not clear when these cars were advertised for sale. I don't think these adverts show comparable vehicles and I'm not satisfied that this justifies a lower settlement. Instead, I think it's fair that UKI bases its settlement payment on the higher value of £2,295 taken from the trade guides.

I've considered the condition of Mr D's car. I've thought about whether this impacts on its market value. I think it would in this case. Minor dents and scratches on a car that is around 18 years old can reasonably be considered normal wear and tear. But the engineer assessing Mr D's car identified impact damage to the front bumper and grille. In addition, he found heavy peeling of lacquer on the off-side front wing, paintwork in poor condition on the near side front wing, peeling paint on the rear bumper, and a cracked near side mirror. In addition to this there was a steering fluid leak, cable ties holding the undertray in place, and there was a water leak described as "severe" in one of the footwells. The photos support the description of this damage.

UKI says it deducted 50% from the cost of the repairs to the paintwork, front and rear damage, and the wing mirror. But it didn't include the other damage in its costing. After the 50% discount, this came to £720 which it deducted from the settlement payment.

I've read the engineer's report and looked at the supporting photos. I don't think the damage is reasonably the result of normal wear and tear. I think UKI's approach to deduct 50% of the pre-existing repair costs is fair. This is what I would've asked it to do. So, although I'm sorry to disappoint Mr D, I won't ask UKI to remove the pre-existing damage deduction.

I've thought about Mr D's concerns regarding the service he received. From the claim records I think the standard of communication could've been better. Mr D could've been kept better informed, and the process explained more clearly. Inaccurate information was provided about the repairs. This was confusing and added to Mr D's frustration. I've been provided with call recordings for the two calls referenced in UKI's complaint response. It determined that the handling of these calls wasn't of a good standard. I agree with what it says. Mr D was also promised an extension of his car hire. UKI didn't communicate this effectively with the hire company, which resulted in the phone call Mr D complained about. There was also a delay in responding to his settlement dispute.

Having considered all of this I don't think UKI treated Mr D fairly. To put things right it should base its settlement on the highest valuation. It should also pay Mr D compensation. But I think the £350 UKI has already paid Mr D is fair so I won't ask it to pay more.

I said I was intending to uphold this complaint in part and UKI should settle Mr D's claim based on a market value of £2,295 for his car and pay 8% simple interest on the balance.

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

UKI responded to say it accepted my provisional decision.

Mr D responded to say he had no further information to add. But he was disappointed with the weighting I gave to the poor service he received. Mr D says he has recently had an operation and is struggling with the aftermath.

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 not persuaded that a change to my provisional findings is warranted. I'm sorry to hear of Mr D's poor health, I hope he recovers well.

I considered the standard of service Mr D received from UKI in my provisional decision. My intention isn't to diminish the impact this had on him. But having reconsidered all of the evidence I do think that a compensation payment of £350 is fair to acknowledge the impact UKI's poor service had. Because of this my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint in part. U K Insurance Limited should:

- settle Mr D's claim based on a market value of £2,295 for his car less its pre-existing

damage deduction and policy excess; and

- pay 8% simple interest on the outstanding balance from the date of the initial offer until this is paid in full.

*If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D 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 D to accept or reject my decision before 27 November 2024.

Mike Waldron
Ombudsman