

The complaint

Mr T complains about U K Insurance Limited's settlement of his car insurance claim.

What happened

Mr T had a car insurance policy with U K Insurance Limited (UKI). In May 2024, his car was involved in an accident and he made a claim. UKI declared Mr T's car a total loss and in June 2024, it offered him a settlement based on a pre-accident value (PAV) of £7,213. Mr T was unhappy with the PAV, so he complained.

UKI issued a complaint response in June 2024. It didn't agree to increase its PAV.

Mr T referred his complaint to the Financial Ombudsman Service. He was unhappy with UKI's PAV and he said this didn't reflect the condition of his car. He said he was pressured to accept UKI's offer and he was unhappy UKI stopped his courtesy car and suspended his car insurance cover. He wanted UKI to settle based on a fairer PAV, with compensation and a refund of the premiums from the date his car insurance cover was suspended.

The Investigator upheld Mr T's complaint. They said a fairer PAV would be £7,771, based on the highest valuation from the two non-outlier motor guide valuations. They said UKI's decision to write off Mr T's car, stop the courtesy car and suspend the insurance cover was fair. They recommended UKI pay Mr T a settlement based on a PAV of £7,771, with interest.

UKI agreed. Mr T didn't agree. Mr T said he couldn't replace his car with another of the same specification and condition for this amount, so he asked for a final 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.

Valuation

The terms and conditions of Mr T's policy say that if UKI deems his car a total loss, it will pay him the market value. Market value is defined 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."*

It isn't the role of the Financial Ombudsman Service to come to an exact valuation of a consumer's car. But we do look to see if insurers have acted reasonably and if they've relied on a fair market value of the car in line with the policy terms and conditions. In doing so, we consider the various motor guide valuations used for valuing cars, along with other evidence provided by both sides, such as advertisements.

In assessing what constitutes a fair value, we generally expect insurers to review relevant guides to motor valuations. And to minimise the risk of detriment to the policyholder, we think insurers should settle based on a value close to the highest trade guide valuation – unless

there's persuasive evidence, for example adverts or independent reports, that a lower value is fair and reasonable.

When UKI valued Mr T's car, it looked at four motor valuation guides. I think it acted fairly in doing so. These produced values of £6,034, £6,655, £7,771 and £9,850. The lowest and highest values are significantly out of line with the others, and I've not seen enough evidence to persuade me they fairly reflect the market value of a car, of the same make and model as Mr T's car, and of similar age and mileage at the time of the accident. So I think UKI acted fairly in not including them in its consideration of the PAV.

This leaves the valuations of £6,655 and £7,771. And in order to minimise the risk of detriment to the insured, the Financial Ombudsman Service feels it's fair to rely on the highest of these valuations. In this case, it's £7,771. UKI hasn't provided enough evidence to persuade me a PAV lower than this is fair. It accepted the recommendation to settle based on a PAV of £7,771. This represents a further £558 on top of what UKI already paid. And because Mr T was unfairly without this amount, I think UKI should add interest to this.

Total loss

Mr T said he was unhappy with UKI's decision to declare his car a total loss, and he'd asked UKI to carry out repairs instead.

The terms and conditions of the policy allow UKI to settle a claim for accidental damage by making a payment, instead of repairs. The terms say a car will be written off (declared a total loss) when it is so badly damaged that the cost to fix it would be uneconomical, based on its market value.

Insurers often consider a car uneconomical to repair, or a total loss, when costs reach around 60-70% of its PAV. On a £7,771 PAV, that's around £4,663. UKI has provided a repair report to show the repair costs, using one of its approved repairers, would be around £6,858.95. I've no reason to doubt the reliability of this report, so I can't say UKI's decision to declare the car a total loss, and settle based on this, was unfair or unreasonable.

Courtesy car

Mr T was unhappy with the decision to end his courtesy car following UKI's total loss decision and settlement.

The terms and conditions say there is no courtesy car cover if the insured car is written off (declared a total loss), so I don't think UKI acted unfairly in not providing courtesy car cover after Mr T's car was written off.

Insurance suspended

Mr T is unhappy UKI suspended insurance cover for his car, after it was declared a total loss, and it sent him the interim payment.

The terms and conditions say once UKI settles a claim, the car becomes its property and all cover then ends unless it agrees differently.

UKI's engineers considered the car was not driveable (and would not pass its MOT in the condition it was in), due to the damage to the front of the car. I've reviewed the images of the damage, and I don't think UKI acted unfairly in relying on its engineer's opinion. So I don't think it acted unfairly in applying the above terms and conditions and suspending cover.

UKI has said if Mr T has obtained a new car within the current policy term, he can contact UKI to add this to his policy. Mr T should contact UKI directly if he wishes to discuss this.

Service and handling

Mr T raised concerns about the actions of UKI's agents and its handling of his claim.

I don't think UKI was wrong to offer and send Mr T an interim payment. This allowed him to access to the funds, without affecting his right to complain, or refer it to our service.

I've also not seen sufficient evidence to persuade me UKI was aggressive, or that it forced Mr T to accept its offer. I can see that UKI gave Mr T referral rights to our service, even though it had sent him a cheque and even though it didn't agree to increase its PAV.

Mr T made his claim in May 2024, and by June 2024, UKI declared his car a total loss and sent him an interim payment. UKI also issued a response to Mr T's complaint in June 2024 and again in July 2024. So I don't think it handled Mr T's claim unfairly by causing avoidable delay, or in how it treated him. And I won't direct UKI to pay any compensation.

Other

Mr T said he still had the insured car. If this is the case, he can discuss with UKI directly about his options, whether that's for retention of the car or to arrange for UKI to collect it.

My final decision

My final decision is that I uphold this complaint. I require U K Insurance Limited to:

- Pay Mr T a further £558.
- Add interest to the above, at the rate of 8% simple per year, from the date it sent the interim settlement, to the date it completes payment.*

* If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T 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 T to accept or reject my decision before 4 February 2025.

Monjur Alam
Ombudsman