

## **The complaint**

Mr M complains about the service Liverpool Victoria Insurance Company trading as LV= (LV) provided following a claim on his car insurance policy.

## **What happened**

In January 2023, following an accident, Mr M contacted LV to make a claim on his car insurance policy. LV accepted the claim. And it arranged for Mr M's car to be delivered to an approved repairer to inspect the level of damage caused. Due to the nature of the damage, Mr M wanted to use the specific manufacturing dealership who I'll refer to as T, to repair his car. LV agreed and arranged for Mr M's car to be taken to T. Due to the distance between the location of the incident and where T was based, it took LV 19 days to deliver Mr M's car to T.

In March 2023 Mr M's car was inspected by T. And it sent a report to LV outlining the level of damaged sustained to Mr M's car and the repair costs involved. This prompted LV to appoint an engineer to inspect Mr M's car and to approve the repairs. LV approved the repairs at the end of March.

In July 2023 Mr M's car was returned to him. But he wasn't happy with the standard of repairs. So, he arranged for two independent engineers to assess his car who confirmed further rectification work was needed. LV considered the reports Mr M sent it and agreed to cover some of the repairs recommended. But it said most of the issues were the result of T. And it said as T wasn't an approved repairer of LV, it wasn't responsible for its actions. So it refused to cover these repairs.

Mr M complained to LV. He said LV hadn't made him aware of the consequences of choosing an unapproved repairer. He says LV's approved repairer wasn't able to complete the repairs and it was necessary for T to do the work. So he says he had no choice but to go to T. Because of this, he thought LV should cover the claim. Mr M also says, given how much it would cost to repair the car as opposed to what T originally quoted, LV should have written the car off in the first instance. Had it done so, he wouldn't have incurred the costs, distress and inconvenience he did.

LV accepted it didn't always respond to Mr M's emails and it took longer than it should have to get Mr M's car to T. It offered Mr M £200 in compensation for the trouble and upset caused. Mr M disagreed and maintained his position that his car should be treated as a total loss.

Our investigator didn't uphold the complaint. She agreed LV failed to make Mr M reasonably aware of the limitation of cover if he chose his own repairer but felt it didn't make a material difference to the position Mr M found himself in. The Investigator felt Mr M would have always chosen T to repair his car. So, she didn't think LV was liable for the repairs. The Investigator also said the £200 offered by LV was fair compensation for the trouble and upset caused to Mr M. LV accepted the Investigator's findings, but Mr M disagreed. He asked for an ombudsman to review the complaint.

I issued a provisional decision on Mr M's complaint. This is what I said about what I'd 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 want to start by explaining I won't be repeating the entirety of the complaint history here or commenting on every point raised, as the same is already well known to both sides. Instead, I've focussed on what I consider to be the key points I need to think about in order to reach a fair and reasonable conclusion.*

*I don't mean any discourtesy by this; it simply reflects the informal nature of this Service and our key function – which is to resolve disputes quickly, and with minimum formality, on the basis of what I believe is fair and reasonable in the overall circumstances of the complaint. However, I assure both parties I've read and considered everything provided as part of this complaint.*

*Motor insurance policies offer indemnity, which means they cover loss or damage following a valid claim. The terms of the policy set out exactly what's covered and allow the insurer to decide how it will indemnify the policyholder.*

*The policy allows LV to repair Mr M's car or cash settle if it chooses to total loss the car. Total loss is defined as "the amount of damage to your car which means its uneconomical or unsafe to repair..." If it decides to repair the car, the policy says "repairs will be arranged with you if the loss or damage is covered.*

*After T inspected Mr M's car, it sent LV a schedule of work setting out the costs involved in the repairs. Mr M had concerns with some of the work T had quoted for, including the repairs to the B pillar and other structural components. Mr M says T failed to adequately inspect the car or provide an accurate cost for the repairs. And had LV taken steps to properly inspect the car, it would have identified these issues and declared the car a 'total loss'.*

*I appreciate Mr M's point of view on the matter. I've seen two independent reports that Mr M arranged that support there were structural issues with the car - and on balance, I think these should have been identified when T inspected the car. But I don't think it was unreasonable for LV to rely on the quote T sent it - especially as it's the car's manufacturing dealership and one Mr M said was best placed to fix the car. I've looked at the quote T sent LV against the market value of the car at the point of the accident and I don't think it was unreasonable for LV to agree to the repairs.*

*The two independent reports Mr M arranged both indicated more work was needed at a substantial cost - and I appreciate why Mr M says LV should have declared the car a total loss. But I think the reason the repair costs are so high are due to the poor repairs of T, and not directly due to the extent of the damage due to the accident. So, I don't think it was unreasonable for LV to rely on T's quote and repair the car rather than agreeing to treat it as beyond economic repair.*

*Following T's involvement, Mr M's car was returned to him in July 2023. But there were a number of issues still present on the car. The two reports Mr M arranged both support that.*

*LV agreed to cover some of the accident-related damage, but it said most of the damage was the result of T. And, as T wasn't a recommended repairer (a repairer that is part of LV's approved repairer network), it wasn't responsible for any of the damage it has caused.*

*I've considered Mr M's policy. It does allow Mr M to use a non-recommended repairer (such as T) to complete any repairs and LV will cover these costs so long as the damage is*

*covered by the policy and subject to an increase in the policy excess. But it makes no reference to LV's liability ending if further damage occurs as a result of a non-recommended repairer's actions. It simply says "repairs will be arranged with you if the loss or damage is covered". In this case, Mr M's claim was covered but the damage wasn't repaired so I think LV still had a contractual requirement to put things right. It follows, I don't think it was fair of LV to refuse to cover the damage still present on Mr M's car when it was returned to him.*

*Mr M has now returned the car back to the finance provider he arranged the car through, so it's not possible for LV to complete any of the outstanding repairs required as per the reports Mr M arranged. Mr M says he returned the car in its damaged state. And because of this he lost the opportunity to purchase the car (from the finance provider) and subsequently lost the opportunity to sell it privately. As a result, Mr H says he's lost around £20k-£25k in equity as a result of LV's actions in failing to repair the car, which stopped him from buying it.*

*Whilst I appreciate Mr M's point of view on the matter, I'm not persuaded there's been a loss in equity like he says. That's because I've looked at the cost of Mr M's car at the point in which his credit agreement ended using the valuation guides this Service has access to. Valuation guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. And although there's no exact science to pricing a car, our Service finds these guides a reliable source of determining a fair market value at the point of loss, or in this case, the point Mr M's Personal Contract Purchase (PCP) ended.*

*The valuation guides produced a market value price of around the amount Mr M would have needed to have paid the finance provider to keep the car. So, it seems unlikely Mr M would have sold the car at a profit he says he would have. I've also spoken to Mr M's finance provider who confirmed Mr M wasn't charged or penalised for any of the damage to Mr M's car. It has confirmed the car sold at auction at a loss and the agreement Mr M had has now come to an end. As such, although I agree LV failed to adequately repair Mr M's car like it should have done, I don't agree there's a consequential financial loss as a result of this. And therefore, I'm minded not to direct LV to make any payment in this regard.*

*LV accepts the service it provided to Mr M was poor. And it offered him £200 in compensation for the trouble and upset it caused. But I don't think that amount fairly reflects the impact LV's actions had on Mr M.*

*I sympathise with Mr M for the position he's found himself in. I think for the most part, the trouble and upset he endured is the result of T failing to adequately repair the car. But although I consider LV failed in its contractual obligation to repair the car, it did agree to Mr M's request to use T and as T is a non-approved repairer, I can't hold LV responsible for T's failure in repairing the car back to its pre-loss state or the trouble and upset this caused – that contract was between T and Mr M.*

*However, I think LV stepped away from the claim and failed to adequately inspect the car or make arrangements to get things back on track after Mr M notified it of his concerns. This meant Mr M had to independently engage with T more than I'd expect him to, and he had to arrange for two independent inspections to support his position that I don't think he would have needed to do had LV continued to deal with the claim. I think LV's actions to refuse to deal with things caused substantial distress and upset to Mr M over and above what I'd expect to see during a normal claims process. And I think the way the claim was dealt with caused serious disruption to Mr M over a sustained period. Therefore, I think LV should pay Mr M a further £800 (on top of the £200 it already offered) in recognition for the trouble and upset it caused.*

*Mr M has appointed solicitors to represent him on this matter. Whilst I acknowledge Mr M may have felt this was necessary, I've not seen any evidence that Mr M was required to have professional representation, either in his dealings with LV or with this Service. I'm satisfied this was a decision Mr M decided to take. And as such it wouldn't be reasonable to expect LV to pay for the costs Mr M has incurred. It follows, I don't intend to ask LV to cover any legal fees.*

***My provisional decision.***

*For the reasons I've set out above, subject to either party providing more information, I am minded to require Liverpool Victoria Insurance Company trading as LV= to settle Mr M's complaint as follows:*

- 1. Upon receipts/invoices reimburse Mr M the costs he incurred for the two independent reports he completed on the car; and*
- 2. Pay Mr M a total amount of £1,000 in compensation for the trouble and upset caused.*

**Responses to my provisional decision**

I invited both LV and Mr M to respond to my provisional decision. Both LV and Mr M disagreed with my provisional decision. I've summarised their responses below.

LV maintained it didn't absolve itself of its contractual responsibility to deal with the claim. It says it continued to engage with T to ensure all the necessary repairs were completed. It says Mr M continued to communicate with T about the repairs and only contacted LV when he didn't receive a satisfactory response. Thus, implying Mr M was aware he needed to discuss the repairs with T directly. And that LV didn't have an opportunity to address some of the issues earlier.

Mr M said T's failure to identify some of the accident-related damage when it first inspected the car was the direct result of LV's actions and the budgetary constraints it placed on the repair costs involved. And he's referred to a section of the engineer's report that said "*reason for inspection: Repair costs exceed limits*" to support his position. Mr M says without the approval from LV, T had no authority to repair some of the structural issues later identified. And had it done so, it would have made the car uneconomical to repair. Mr M maintains LV should have settled the claim on a total loss basis.

Mr M also disagreed with the value I placed on his car at the point his Personal Contract Purchase (PCP) ended. He said the valuation of the car should be based on the market value at the date of loss, and he provided evidence showing a prospective buyer was willing to pay substantially more for the car than what I said it was worth. He maintains that, as a result of LV's actions in failing to adequately repair the car back to its pre-loss state, he lost the opportunity to purchase the car as part of the PCP agreement and sell it privately.

**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.

LV says it didn't absolve itself of its contractual obligation to deal with Mr M's claim, which implies it acknowledges, irrespective of who the repairer was (approved or non-approved) it had a duty to repair Mr M's car.

After Mr M's car was first inspected by T, Mr M wrote to LV outlining some of his concerns with the repairs T had quoted for. And I can see LV wrote to Mr M at the beginning of May 2023, informing him that as T was a non-approved repairer it was not responsible for overseeing the repairs or ensuring their effectiveness.

As I explained in my provisional decision, I've reviewed the two independent reports Mr M arranged that both indicated more work was needed to repair the car. Mr M returned the car back to the finance provider he bought the car through with some of the repairs still outstanding. And I think LV's comments from May 2023 shows it stepped away from the claim unfairly and prompted Mr M to engage with T more than I think he needed to. As such, I don't think LV took adequate steps to repair the car like it should have done.

Mr M has said he believes it was LV's involvement in the claim and the budgetary constraints it placed on T that prevented T from identifying some of the structural issues later identified. He's referred to a section of a report that said "*reason for inspection: Repair costs exceed limits*" to support his comments. While I appreciate Mr M's feelings on the matter, I'm not persuaded that's the case. Instead, LV authorised T, upon Mr M's request to inspect the car and to report on the level of damage, the repairs needed and the costs involved. T did just that. And due to the costs quoted for by T, LV wanted to inspect the car in conjunction with T's report first. I don't find that unusual or unreasonable given the value placed on the repairs by T.

As T is the car's manufacturing dealership and one best placed to fix the car, I don't think it was unreasonable for LV to rely on the schedule of work T produced or the costs involved. I accept T failed to identify some structural issues, but I don't consider it was LV's involvement that led to this.

I also appreciate Mr M's point of view that, had the structural issues been identified during the initial inspection, it's likely the claim would have been settled on a total loss basis. But as I set out in my provisional decision, I don't think it was unreasonable for LV to rely on the quote T produced, which demonstrated the car was economical to repair. I accept the costs involved in repairing the car later increased due to what the independent engineers identified, but at that point work had already started and I don't think it was unreasonable of LV to speak with T to continue with the repairs – albeit later than it should have.

Mr M continues to believe there's been a loss in equity after he returned the car in its damaged state. And he's questioned why I considered the valuation guides at the point the PCP agreement ended – and not the date of the incident. Mr M says he planned to exercise his right under his PCP agreement to buy the car. And he planned to sell it privately. This means he would have sold the car after the PCP ended, which is why I considered the market value of the car around this time. And in doing so, and as set out above, I'm not persuaded there's been a loss in equity like he says. The valuation guides produced a market value price of around the amount Mr M would have needed to have paid the finance provider to keep the car. So, it seems unlikely Mr M would have sold the car at a profit as he says he would have. And therefore, I don't agree Mr M has lost out financially.

I've considered the evidence Mr M has provided which shows he had a prospective buyer in place to purchase the car for around £60,000. The sale didn't complete due to the accident in which this claim relates. I can't hold LV responsible for this sale not going ahead as planned. It was the accident and the damage the car sustained that stopped the sale, and not the actions of LV. But I think the point Mr M is trying to make is that the car is worth considerably more than what I said it was. However, I'm satisfied the valuation guides are a reliable source of determining a fair market value. And I'm not persuaded Mr M's car would have sold for the amount Mr M says it would have at the point the PCP agreement ended.

In response to my provisional decision, Mr M provided a detailed account of the impact LV's actions had on him. I won't disclose everything here – but I've considered everything Mr M has told me. Having considered Mr M's comments I maintain my position that LV stepped away from the claim, which meant Mr M had to independently engage with T more than I'd expect him to, and he had to arrange for two independent inspections to support his position that I don't think he would have needed to do had LV continued to deal with the claim. I'm satisfied its actions caused serious disruption over a sustained period. As such, I think LV should pay a total amount of £1,000 in compensation in recognition for the trouble and upset caused.

Mr M has said he had no choice but to appoint solicitors to deal with matters due to LV's inability to deal with the claim. I appreciate his point of view on the matter. But as I set out previously, I'm not persuaded Mr M was required to have professional representation with his dealings with LV – that was a decision Mr M made. As such, I'm not directing LV to pay for the legal costs he incurred.

In summary, whilst I appreciate both LV and Mr M's comments regarding the decision I've made, I don't think either parties' comments materially change the outcome of this complaint, or my direction for putting things right. So, I'm directing LV to put things right as I've set out in my provisional decision.

### **My final decision**

For the reasons outlined above I uphold this complaint. I direct Liverpool Victoria Insurance Company trading as LV= to settle Mr M's complaint as follows:

1. Upon receipts/invoices reimburse Mr M the costs he incurred for the two independent reports he completed on the car. Pay interest on these amounts from the date each payment was made until the date of settlement. The rate of interest is 8% simple interest per year\*
2. Pay Mr M a total amount of £1,000 in compensation for the trouble and upset caused.

\*If Liverpool Victoria Insurance Company trading as LV= considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it has taken off. It should also give Mr M a certificate showing 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 M to accept or reject my decision before 21 February 2025.

Adam Travers  
**Ombudsman**