

## **The complaint**

Mr M complains that Aviva Insurance Limited (“Aviva”) unfairly deducted 20% from its settlement payment following a claim for the theft of his car, under his motor insurance policy.

## **What happened**

Mr M’s car was stolen. He reported this to Aviva in May 2024. He was offered a settlement payment less a reduction of 20% as his car had previously been categorised as a total loss. Mr M didn’t think this was fair and complained.

In its final complaint response Aviva says it offered Mr M the market value for his car less 20% for it being a previous category ‘S’ total loss. It says it reviewed its offer in light of his dissatisfaction. But it maintained its original offer, with the deduction, and paid this to Mr M on 5 June 2024. Aviva says its policy terms confirm it will pay the market value in the event of a total loss. Where a previous total loss has been declared this may impact on market value.

Aviva apologised for delays in its claim’s team registering Mr M’s complaint. It offered him £200 compensation for this shortfall in the service it provided. But it didn’t agree to remove the total loss deduction from its settlement payment.

Mr M didn’t think he’d been treated fairly and referred the matter to our service. Our investigator didn’t uphold his complaint. He says Aviva has provided evidence to show a category ‘S’ total loss will impact on the value of Mr M’s vehicle. Where this is the case he says our service doesn’t think a deduction of 20% is unfair.

Mr M disagreed with our investigator’s findings and asked for an ombudsman to consider his complaint.

It 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.

Having done so I’m not upholding Mr M’s complaint. I’m sorry to disappoint him but I’ll explain why I think my decision is fair.

For clarity I’m not considering Aviva’s valuation of Mr M’s car. If this is something he’s concerned about he will need to raise this with the business separately. My focus here is whether it was fair for Aviva to deduct 20% from the settlement it offered. I think it was, and I’ll explain why.

Mr M’s policy terms say that Aviva will pay the market value in the event of a total loss. In the definitions section of his policy booklet on page six it explains that factors that can affect

market value include whether a car has previously been declared a total loss. I think this information is clearly worded and was available for Mr M to read.

I acknowledge Mr M's comments that he wasn't told about the percentage Aviva would deduct in these circumstances. I can understand his disappointment. However, where a vehicle has been declared a total loss this can put potential buyers off. This is irrespective of how well the repairs were carried out. This will generally be reflected in the price. So, we don't think it's necessarily unfair for an insurer to apply a deduction in these circumstances.

That said we still expect an insurer to show that the total loss category has impacted on the car's value. Aviva has supplied two advertisements that are comparable to Mr M's car, with the same registration date and similar mileage. One is a category 'S' offered for sale at £16,990. The other car doesn't have a total loss marker. This is showing for sale at £22,498. The difference in price is just under 25%.

I acknowledge Mr M's comments that he couldn't find any similar examples of a category 'S' car for sale around the time his car was stolen. I also note Aviva comments that this was the only category 'S' example it could find. Although there is only one example to refer to, I think this quite clearly shows that a total loss marker does impact on the market value of this type of car. Based on this information I don't think Aviva's decision to deduct 20% was unreasonable.

I can see there was a delay in arranging for Mr M's complaint to be dealt with. Aviva offered him £200 compensation to acknowledge this. However, complaint handling in itself isn't a regulated activity. This means I'm not able to consider it here.

In his response to our investigator's findings Mr M says the settlement he received only happened after many hours of back-and-forth emails. He says he also paid for an independent valuation.

I can't see that this is something Mr M raised in his complaint to Aviva. The Financial Conduct Authority's (FCA) dispute resolution rules say that we can only consider an issue once it's been raised with the business. So, I can't comment on this issue here. Mr M will need to raise this as a complaint with Aviva if he remains dissatisfied.

Having considered all of this, I don't think Aviva treated Mr M unfairly when it applied a 20% deduction to his settlement payment for the previous total loss marker. So, I can't reasonably ask it to do anymore.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 March 2025.

Mike Waldron  
**Ombudsman**