

The complaint

Mr W complains about the settlement he received from AXA insurance UK Plc (AXA) after he made a claim under his car insurance policy.

What happened

Mr W was involved in a motor incident in November 2023 that wasn't his fault. He reported the matter to AXA and it started to process the claim. AXA initially thought the car was a total loss but Mr W said the damage was minor and could be repaired. AXA arranged for two independent inspections of Mr W's car that both agreed the car was repairable. It asked Mr W to obtain a repair estimate and said it would settle the claim on a cash-in-lieu basis.

Mr W complained to AXA. He said the parts required to repair the car were no longer available. So, he wanted AXA to settle the claim on a total loss basis. But AXA said the parts were available. And it maintained the car was repairable and that the settlement amount of £2,460.80 enabled him to repair the damage.

AXA accepted some of the service it had provided to Mr W during the claims process had been left wanting. So, it paid him £175 for the trouble and upset caused. Mr W remained unhappy and referred a complaint to this Service.

Our Investigator didn't uphold the complaint. He said it wasn't unreasonable for AXA to settle the claim on a cash-in-lieu basis and the amount it paid allowed Mr W to repair the car. He agreed the service AXA provided had fallen short but said the compensation it had offered was fair. Mr W disagreed. He maintained the car should be written off. So, he asked for an Ombudsman to consider the complaint.

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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.

Cash-in-lieu settlement

After Mr W reported the claim, he told AXA he wanted to repair the car privately. So, it arranged for two independent inspections of the car to ensure it was economic to do so - both of which agreed it was. So, it asked Mr W to obtain a repair estimate from his local garage. Mr W's garage quoted the costs of repairs at around £2,735.

Mr W's policy explains AXA can take over the handling of the claim and it can choose whether to repair the car or pay an amount equal to the loss or damage. It also says that if a customer chooses to repair the car elsewhere, "*it may not pay more than our approved*

repairers would have charged and we may choose to settle the claim by a financial payment.”

AXA said the cost for it to repair the car would be £2,460.80 excluding VAT so it paid him this amount in resolution of the claim in June 2024.

I've carefully considered the engineers reports along with the repair estimate Mr W obtained. Given the market value of Mr W's car at the point of loss, compared with the repair costs outlined in all three reports, I don't think it was unreasonable for AXA to agree to repair Mr W's car rather than write it off. And given AXA offered to repair Mr W's car for him, but he chose not to go ahead with this, I don't think it was unreasonable for AXA to pay Mr W the amount it would cost it to repair the car.

But Mr W has explained the parts to repair the car are no longer available. So, he'd now like AXA to treat the claim on a total loss basis and pay him the market value of the car at the point of loss.

One of the independent engineers who inspected the car agreed the parts needed weren't available at the time, but that it was only a temporary factory back order, which I think implies, the parts are still in production but weren't available immediately. I also note that AXA contacted the car's manufacturer in August 2024, who confirmed the parts are currently on back order but are still available to be ordered.

I appreciate Mr W's feelings on the matter given his local garage said *“parts not available”* in the quote it provided. But I think this means the parts weren't available at the time of the quote rather than them being discontinued. As I've seen no compelling evidence to show, on balance, the parts are no longer available, it seems more likely than not, the parts to repair Mr W's car are still in manufacturer and the car can be repaired. As such, I don't think it was unreasonable for AXA to continue to settle the claim on a cash-in-lieu basis. And not one it needed to settle as a total loss.

Mr W is unhappy that the settlement figure AXA paid him excludes VAT. Whilst I appreciate his feeling on the matter, I don't think AXA's decision to do so is unreasonable. That's because sometimes consumers get the work done for a lower cost than the cash settlement offered. And that means the VAT amount – if their garage is VAT registered – is less too. Often at the time the claim is being settled, it's not known what the consumer intends to do with the money – or how much VAT that might generate. And in this case, as I can't see the repairs have been completed, VAT wouldn't apply.

However, AXA has said if Mr W makes the decision to have the car repaired and the appointed repairer is VAT registered, it will reimburse him the VAT upon receipt of any invoices, which I think is fair. But if Mr W is unable to get the car repaired because he can't afford to pay the VAT I'd expect AXA to step in and help. This may include liaising with the appointed repairer and paying the VAT to them directly. If that is the case, Mr W will need to let AXA know.

Customer service

Mr W is unhappy with the overall service he received from AXA after he submitted the claim. But I'm aware he previously referred a complaint to this Service about AXA's initial delay in progressing things. As that aspect of the complaint has already been considered by this

Service, I won't consider it again here. My decision has focused on AXA's handling of the claim from 21 February 2024, the date of its first final response letter.

I sympathise with Mr W's complaint about the poor communication and the delays caused. He's particularly unhappy that AXA wrote to him in June 2024 saying it was going to repair the car, when he'd previously explained he didn't want that to happen. I haven't detailed everything here – but I've considered everything that Mr W has said about the impact on him.

I acknowledge the service would have caused some additional upset and inconvenience for Mr W, over and above what I would expect to see in a normal claims process. AXA also recognises it could have handled things better and offered £175 in compensation for the trouble and upset caused. Having looked at everything that's happened here I'm satisfied the £175 reflects the impact AXA's actions had on him and is in line with what I would direct in similar circumstances. It follows, I'm not directing AXA to do anything further.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 April 2025.

Adam Travers
Ombudsman