

The complaint

Mr M complains that U K Insurance Limited (“UKI”) unfairly disposed of the salvage of his car after an accident, and didn’t recover the claim costs effectively, under his motor insurance policy.

What happened

Mr M was involved in an accident he wasn’t at fault for. He made a claim to UKI, which it accepted. His car was categorised as a total loss and a settlement payment was offered. Since then, Mr M has raised several complaints concerning different aspects of the claim.

This complaint is that Mr M didn’t give UKI permission to sell the salvage of his car. He says he’d spent a lot of money on it and would have retained the salvage given the low settlement payment UKI offered. Mr M says he was threatened with court action because the third party’s insurer (TPI) hadn’t paid the claim costs. He says this was due to poor communication and poor claim handling on UKI’s part.

In its final complaint response dated 17 October 2024 UKI says it emailed Mr M several times to tell him it would be disposing of his car. It didn’t receive a response, so it sold the salvage. UKI says there was a technical issue with the portal it used to interact with the TPI. It paid Mr M £150 compensation for this issue.

Mr M didn’t think UKI had treated him fairly and referred the matter to our service. Our investigator didn’t uphold his complaint. She thought UKI had given Mr M sufficient notice about the salvage of his car being sold. And its payment of £150 compensation was fair for the issues dealing with the TPI.

UKI subsequently contacted our service to say it had reviewed all of Mr M’s complaints. Based on its review it decided to offer him £7,059 plus a £1,000 donation to a charity of his choice. It says £1,059 of this relates to a premium dispute. £6,000 is for disposing of Mr M’s car without permission and for its service failings. But it says the majority of the compensation relates to the salvage disposal.

Our investigator reconsidered the complaint, along with Mr M’s further comments disagreeing with her view. She thought UKI’s offer was fair and so didn’t ask it to do anymore.

Mr M didn’t accept this outcome and so the complaint 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 upholding Mr M’s complaint. But I think what UKI has now offered is fair, so I won’t ask it to pay more. Let me explain.

A total loss claim will typically result in the insurer paying the policyholder the market value of their vehicle. The insurer then disposes of the salvage and retains the proceeds. A policyholder can choose to retain the salvage. There are rules that determine whether a vehicle can be repaired and returned to the road. Or if it can only be used for parts or has to be crushed in its entirety. But the policyholder still owns the vehicle and its salvage unless confirmed otherwise. If they request to retain the salvage we expect the insurer to comply with this where the rules allow. It can then deduct the cost of this from the settlement value. I've thought carefully about UKI's handling of the salvage in Mr M's case, and the impact this had on him.

The claim records show UKI emailed Mr M on 27 March 2024. It told him to make contact within 14 days to provide permission to dispose of his vehicle. Mr M responded to say that our service is involved, and he doesn't agree to it disposing of his car. He says once our service has investigated he will decide how to proceed. UKI emailed him again 21 May giving 14 days for Mr M to confirm his intentions. On 5 June it emailed again to say Mr M could retain the salvage if he wanted and gave him ten days to respond. An email on 21 June says the vehicle has been "*cleared*" with UKI's salvage agents. The records show the salvage was finally disposed of in early July.

Mr M didn't give his permission to UKI to dispose of the salvage. However, he was contacted on several more occasions about it. In its emails UKI indicates it cannot store the vehicle indefinitely. Mr M says he wanted it to wait until our services investigation was complete. I understand Mr M's point of view, but I also accept that as a business UKI can't store his vehicle for an indeterminate period.

I've considered Mr M's personal circumstances over the period UKI had been emailing him about the salvage. He suffered a bereavement at this time, which I was sorry to hear about. From what he says this had a significant impact on his ability to deal with this matter, particularly as he'd already told UKI not to dispose of the salvage of his car.

In its later submission to our service, UKI says it now recognised that Mr M had spent considerable time, money, and effort on his car. This meant it had a significant attachment for him. It also acknowledged his car was rare, which meant he'd been unable to replace it. UKI says it accepts that its emails about the salvage options were sent during Mr M's bereavement. It says it's not reasonable to expect that he'd read and respond to multiple chasers at this time. This is why it offered £6,000 for the distress and inconvenience it had caused.

I'd like to be clear that the settlement value part of Mr M's complaint has been addressed separately. Our ombudsman decided that a higher payment was justified. So, I can be satisfied Mr M has now been offered a fair amount for his car. I won't comment further on this point.

Having considered the evidence I think it's fair that UKI offered Mr M compensation for the distress and inconvenience it caused when disposing of his car. But I think what it has since offered him is reasonable. This is in excess of what I would have deemed fair based on the guidelines our service follows. So, I won't ask UKI to pay more.

UKI has since advised that the salvage payment it received for Mr M's car amounted to £2,126.44. I understand this information wasn't shared with him. However, this doesn't impact on my decision. I'm satisfied that UKI has done enough to acknowledge its failings.

I've considered what Mr M says about being threatened with court action. I can see from UKI's email in October 2024 that it says it hadn't received any updates from the TPI. It asks Mr M to confirm if he would be willing to attend court if necessary to "*proceed with escalating*

the file". UKI has since confirmed that this was the result of an issue with its portal. The TPI wasn't disputing liability or refusing to pay the claim costs. So, there was no need to pursue legal proceedings or for Mr M to attend court.

I can understand why Mr M was frustrated and distressed. He says that had UKI phoned the TPI it could've easily avoided this situation. In the circumstances I think it's fair that the business compensates Mr M for the distress and inconvenience it caused him. But I think £6,000, plus the £150 it has already paid is enough to acknowledge this point.

In summary, I don't think UKI treated Mr M fairly when disposing of his car and when failing to communicate effectively with the TPI. But I think it has since done enough to put this right with the compensation it offered. So, I can't reasonably ask it to do anymore.

UKI didn't confirm its final offer until after Mr M referred his complaint to our service. Therefore, although I won't ask it to pay him more, this complaint is upheld as UKI hadn't taken action to resolve the complaint fairly before Mr M's referral to our service.

My final decision

My final decision is that I uphold this complaint. But I'm satisfied that UKI has now offered sufficient compensation to put things right. So, I'm not asking it to do more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 April 2025.

Mike Waldron
Ombudsman