

The complaint

Mr L complains that AXA Insurance UK Plc (“AXA”) undervalued his vehicle following an accident and refused to fix it.

What happened

Mr L holds a motor trade policy with AXA. In February 2024 Mr L told AXA about an incident which had occurred when a third-party vehicle collided with his car and then drove away. AXA told Mr L that his car would most likely be written off. Mr L said he didn’t want his vehicle to be taken, so AXA advised it would carry out an inspection.

In the meantime, AXA wrote to the third-party insurer and once the inspection had been carried out, it was confirmed that the vehicle was a total loss. It valued the car at £647 and offered Mr L £297 after deduction of the £350 policy excess.

Since there was no response from the third-party insurer, and Mr L had said he didn’t want to make a claim via his insurer but through the third-party insurer direct, AXA closed down the claim.

Mr L was unhappy as he felt the settlement offered was too low, so he made a complaint. He said his car was a classic and worth around £4,000. Our Investigator considered the complaint but didn’t think it should be upheld. She told Mr L that as he had a motor trade policy, only the trade value of his vehicle at the date of loss would be payable.

Mr L didn’t agree with our Investigator’s opinion, and wanted an Ombudsman to make a final decision, so the complaint has now come 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.

As this is an informal service, I’m not going to respond here to every point raised or comment on every piece of evidence Mr L and AXA have provided. Instead, I’ve focused on those I consider to be key or central to the issue in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I’m not upholding this complaint. I’ll explain why.

Mr L’s policy with AXA is a motor trade policy, so it only entitles Mr L to the trade value of his vehicle in the event of a total loss claim, and not the retail transacted value – which is the price a customer might expect to pay when buying a car from a reputable garage forecourt. Our approach to assessing what a fair trade value looks like for a vehicle includes taking into account what the motor trade guides say the trade value is. We then look to see whether the insurer’s offer is in line with those valuations.

In this case, I’ve checked the motor trade guides to see if AXA’s valuation of £647 is reasonable. And I can see that the amount AXA has offered is higher than the value of £540

given by one of the guides. The other guides I've checked haven't produced a value for Mr L's vehicle due to its age. I've also considered additional information to determine what a fair valuation would be, including the report provided by AXA's engineer. This report values Mr L's car at £647 and the report is sufficiently detailed, with photos and commentary to support the valuation.

AXA has said it will review any further information which Mr L can provide to show that the valuation and offer should be increased. I think this is a fair approach.

I'm also satisfied AXA has acted fairly in deducting the excess from the settlement offer, because the policy specifies, under the definition of "Excess(es)", that these amounts must be paid for every claim following loss or damage to the insured vehicle. It's also not unusual for a policy excess to apply and to be deducted from any settlement, in the event of a claim. Further, the exact amount of excess payable is set out in Mr L's policy schedule, as £350. So I'm satisfied AXA will apply the correct excess, should Mr L wish to make a claim.

Mr L has also complained that the vehicle has been considered a write-off. It's industry practice and not unusual for insurers to consider writing off a vehicle if the repairs to the vehicle would cost a large proportion of, or more than, its value, and generally I don't consider this unreasonable. In this case, the engineer's report sets out the cost of repair as £360 for labour, £959 for materials and a further £492 for parts. As the total repair costs would exceed the value of the vehicle, it would be uneconomical to repair and would be considered a write-off. I don't therefore consider AXA to have acted unreasonably in relation to this.

Mr L says the total loss payment hasn't been made, nor has the vehicle been formally written off. AXA has told us that Mr L informed it that he didn't want to make a claim and would consider approaching an accident management company instead, to avoid his premiums being affected by a claim on his record. He also mentioned trying to get the market value for his vehicle by pursuing the third-party insurer. In the circumstances therefore, until a claim has been made under Mr L's policy, I don't consider it unreasonable for AXA to not have paid Mr L yet or written off his car. This is because if AXA paid Mr L and he successfully pursued the third-party, he could end up receiving a duplicate payment.

If Mr L wishes to proceed with his claim under the policy, he should let AXA know, so that it can process his payment.

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 L to accept or reject my decision before 11 April 2025.

Ifrah Malik
Ombudsman