

The complaint

Mr K complains about the service he received from AA Underwriting Insurance Company Limited (AA) after he made a claim under his car insurance policy.

What happened

Mr K held a car insurance policy underwritten by AA. He made a claim in January 2024 after his car was involved in a hit and run collision. During its consideration of the claim, AA said Mr K's car had previously been declared a category 'S' total loss and there was some previous damage present, and evidence of poor repairs. And because of this, it said it couldn't complete effective and lasting repairs to the car. Instead, AA offered Mr K a cash-in-lieu settlement of £3,184.46 (Inclusive of VAT) to settle the claim.

Mr K didn't think this was fair. He said the previous incident the car was involved in had been adequately repaired and there were no signs of previous damage prior to the recent accident. He said the amount AA offered in settlement of the claim wasn't enough for him to repair the car. So, he referred a complaint to this Service for an independent review.

Our Investigator considered the complaint. He said AA's cash-in-lieu settlement was reasonable to repair the accident-related damage. Mr K remained unhappy and asked for an Ombudsman to consider the complaint.

I issued a provisional decision on Mr K'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 explain 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.

*Mr K's policy covers him for damage caused by an accident. And it says AA will either repair the car or pay to repair the car, up to the market value. But it explains it won't cover "part of the cost of any repair or replacement which improves the **insured car** beyond its condition before the loss or damage occurred."*

AA says that, as part of its consideration of the claim, it became apparent Mr K's car had some pre-existing damage and that damage hadn't been properly repaired. It says it couldn't repair the accident-related damage without repairing earlier issues, and in doing so would

improve the car, which isn't what the policy provides. In essence, AA says repairing Mr K's car would amount to betterment — which is when a policyholder ends up in a better position than they were in prior to the loss or damage happening.

So, it offered a cash-in-lieu settlement to allow Mr K to complete the accident-related repairs privately. Mr K feels strongly the car didn't have previous damage. And he's provided evidence from a local mechanic to support his position. They say "...in our professional opinion that the damage sustained in the most recent claim to the rear side of the vehicle is fresh and there have been no previous repairs on the panels involved..."

Whilst I appreciate Mr K's point of view on the matter and I recognise his local garage said there's no previous damage in the area in question, I've also considered the comments of AA's engineer, who says "the repairs to the nearside rear quarter panel had been carried out to a poor standard. Both in terms of repair method and the quality of the paint finish. It is clear that the panel had not been repaired correctly using a panel repair system to straighten the panel, but rather it has had a substantial quantity of the filler applied. This is what has caused the problems in terms of repairing the panel to a commercially acceptable standard... As a result, the panel would require replacement for damage that would have otherwise just required 6-7 hours labour to repair..."

Mr K says his garage only recommended changing the panel (rather than repairing it) as it was more economic to do so — not because of the difficulties in repairing it due to the pre-existing damage or any poorly completed repairs. But AA has provided photos of the area in question to support its comments. Based on the engineer's comments that are supported by photos, I think on balance, there was prior damage present on Mr K's car at the point of loss, and any repairs completed by AA would amount to betterment. So, I don't think it was unreasonable for AA to settle the claim on a cash-in-lieu basis.

The question I now need to consider is whether the amount AA has offered to settle the claim is fair and reasonable in the circumstances.

Mr K's policy says AA will pay "in cash the amount of the loss or damage" and it offered Mr K £2,653.72 (or £3,184.46 including VAT) in settlement of the claim. This amount appears to be based on preferential rates AA has with its approved repairers. And not the amount it would cost Mr K to complete the repairs privately. Whilst I don't think it's unreasonable for AA to settle the claim on a cash-in-lieu basis, I think any offer it makes in settlement of the claim needs to be one that enables Mr K to repair the accident-related damage. And based on the estimates Mr K has provided, I don't think the amount AA has said it would pay does that.

Mr K has also explained he has concerns with some of the internal components of the car. And he's provided a report from an independent garage that says "upon test driving we found the vehicle to vibrate and judder very hard upon replacing the steering lock, we believe the rear differential has been damaged which would require replacement..." Mr K raised these concerns to AA at the end of April 2024, and I haven't seen any evidence to show AA considered these concerns or re-inspected the car. And I think it should have done. As the cash settlement offered makes no inclusion of any potential additional damage to Mr K's car, I'm not satisfied the amount it's said it will pay fairly indemnifies him.

However, I can see the invoices Mr K has provided also includes the cost of repairs that seem to improve the car beyond its condition before the loss or damage occurred. Specifically, I can see Mr K's garage has quoted to replace the rear quarter panel when AA says it can be repaired — and the suggestion to replace this has only been recommended due to the pre-existing damage and the previous poor repairs. As I'm satisfied, on balance, there was evidence of previous damage and inadequate repairs to this part of the car, which

isn't something AA needs to repair, I think the quote Mr K has provided brings about betterment. So, I'm not satisfied the amount Mr K's garage quoted to repair the damage is a reasonable amount to pay either.

So, given I don't find either Mr K's quote or AA's settlement figure to be a fair way to settle the claim, I think AA should arrange for an independent assessment of Mr K's car to assess the damage sustained in the accident and to provide a quote for the repair costs involved. The quote should be based on how much it would reasonably cost Mr K as a consumer to repair the car privately, and not based on any preferential rates AA has with its approved repairers. Mr K should be given an opportunity to pass any information he wishes to the independent engineer, including his concerns with the internal damage to ensure all aspects of the damage are considered.

I can see Mr K told AA about his concerns with the internal damage around April 2024, not long after he submitted the claim. I appreciate AA has said it doesn't believe there's any internal damage to the car due to the accident, but I can't see it inspected this aspect of the car. Given Mr K's concerns, which are supported by his local garage, I think it should have done.

Mr K has explained he's not had use of the car since the accident. And he's described the impact AA's handling of things have had on him. I won't detail everything here, but I've considered everything Mr K has said. While I empathise with the position Mr K has found himself in, I think some of the delays in repairing the car are due to his local garage quoting for repairs that include aspects that amount to betterment. And not something AA needed to pay. So, I don't think the delays in repairing the car are solely down to AA's actions.

But I think AA should have arranged for an independent inspection sooner to clarify the costs involved in settling the claim. It didn't and I think this has led to unnecessary delays in resolving things, which have caused undue trouble and upset above and beyond what I'd expect to see during the normal claims process. Given the length of time the claim has been on-going and AA's failure to consider some of the internal damage Mr K has told it about, I think AA should pay Mr K £250 in compensation for the trouble and frustration this caused.

For the reasons I've set out above, subject to either party providing more information, I'm minded to require AA Underwriting Insurance Company Limited to settle Mr K's complaint as follows:

- Arrange for an independent engineer to inspect Mr K's car to assess the level of damage sustained in the accident. Mr K should be given an opportunity to provide the independent engineer with any additional information he wants to provide.*
- Arrange for the independent engineer to provide a quote for the accident-related repairs based on the average costs of a private individual in Mr K's area. AA should pay this amount to Mr K in settlement of the claim.*
- Pay Mr K £250 in compensation for the trouble and upset caused.*

Responses to my provisional decision

I invited both Mr K and AA to respond to my provisional decision. Mr K accepted my provisional decision but maintained the quotes he provided were to repair the accident-related damage – and not for betterment. He said the garage he used to inspect the car completed a panel depth reading that confirmed all the panels were within tolerance, which showed there was no pre-existing damage or poorly completed repairs around the area in question.

AA also disagreed with my provisional decision. In summary, it said it wasn't liable to cover the costs of any unrelated accidental damage. It said it had no involvement in the previous poor repairs completed on Mr K's car and had Mr K's car not been subject to poor repairs, it would have completed the repairs based on preferential rates. It said any cash-in-lieu settlement it pays to repair the accident-related damage should be based on these rates, and not what it would cost Mr K.

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.

Mr K maintains there's no evidence of any poorly completed repairs to the car. And the panel readings confirm this. He says his local garages' quote to replace the panels are simply for economical and cost saving reasons, not because of difficulties in repairing them due to any previous repairs carried out.

I've carefully considered Mr K's detailed explanation, which is supported by photographs, as to why the paint depth is within tolerance and that no filler was used when previously repairing the car. Whilst I don't dispute Mr K's feelings on the matter, these aren't supported by a suitably qualified engineer. Instead, I'm more persuaded by the comments of the AA engineer, who inspected the car, who I consider to be suitably qualified to give such opinion that said "*the nearside right quarter panel has been previously repaired and paint to the edge of the door aperture. This is poor practice. The correct method is to paint the whole panel to ensure the colour match and consistency of finish. The dull effect and poor colour match indicate poor panel preparation and paint application...*" As I consider the engineer who inspected Mr K's car to be suitably qualified to give such opinion, on balance I maintain my position that it wasn't unreasonable for AA to offer a cash in-lieu settlement to finalise the claim.

AA said any cash-in-lieu settlement it offers Mr K in resolution of the claim should be based on its repairer rates. That's because it says that's the amount it would have cost it had Mr K's car not had any pre-existing issues.

I've thought carefully about AA's comments. And I appreciate its point of view on the matter. But in the particular circumstances of this complaint, I don't think that approach reaches a fair or reasonable outcome.

Although I understand why AA doesn't want to complete the repairs (due to the damage it isn't liable for) it ultimately made the decision not to. And in doing so it means Mr K needs to arrange the repairs privately. He isn't eligible for the preferential rates AA has with its approved repairers. And it means Mr K will be out of pocket for repairs which would have otherwise been covered under the policy, which I don't think is fair. So, I maintain my position that AA should cover the cost of the repairs that it would cost a private individual in Mr K's area.

Neither party commented on my findings about the customer service AA provided to Mr K during the claims process. Therefore, I see no reason to depart from my provisional decision.

In summary, whilst I appreciate both Mr K and AA'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 AA 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 AA Underwriting Insurance Company Limited to settle Mr K's complaint as follows:

- Arrange for an independent engineer to inspect Mr K's car to assess the level of damage sustained in the accident. Mr K should be given an opportunity to provide the independent engineer with any additional information he wants to provide.
- Arrange for the independent engineer to provide a quote for the accident-related repairs based on the average costs of a private individual in Mr K's area. AA should pay this amount to Mr K in settlement of the claim.
- Pay Mr K £250 in compensation for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 April 2025.

Adam Travers
Ombudsman