

## **The complaint**

Miss R has complained about the way The National Farmers' Union Mutual Insurance Society Limited (NFU) handled her claim under her Light Good Commercial Vehicle Insurance policy.

## **What happened**

Miss R's vehicle, which I would describe as a classic vehicle, was damaged in an accident. NFU asked Miss R to obtain an estimate for the repairs needed as a result of the accident. After a desktop inspection, NFU decided the vehicle should be written-off and placed a salvage category of B on it. It also said its pre-accident market value was £4,000.

Miss R wasn't happy with the valuation or the salvage category and complained to NFU with the help of a friend. Her friend said he was an expert in the type of vehicle she had and didn't think the valuation or salvage category were correct.

NFU wouldn't alter its position. Miss R then moved the vehicle to a storage location and obtained an expert report on it. However, she didn't send this report to NFU. Instead, she asked us to consider her complaint.

One of our investigators did this. Initially, she said NFU should increase its settlement to reflect a market value of £6,750, which is what the expert had suggested in their report. She also said NFU should change the salvage category of the vehicle to S. And she said NFU should pay Miss R £750 for the distress and inconvenience she'd experienced as a result of it placing the wrong valuation and salvage category on the vehicle.

When NFU challenged the investigator's view on the basis it had not seen the expert report Miss R had provided, the investigator revised her view on the outcome of Miss R's complaint. She said she still thought NFU should pay Miss R £750 in compensation for distress and inconvenience. But it should be able to carry out a physical inspection of the vehicle, as opposed to settling Miss R's claim using a market value of £6,750 and changing the salvage category.

NFU didn't agree with the investigator's second view, as it felt the level of compensation she'd suggested was too high. It did however agree to inspect the vehicle. And it told us it had been trying to arrange this with Miss R.

As our investigator was unable to resolve Miss R's complaint, it was referred to me for a decision. Having reviewed it, I emailed NFU and suggested it had under-valued Miss R's vehicle in the first instance and placed the wrong salvage category on it. I said it should change the salvage category to S and settle Miss R's claim using a higher market value. I also explained that I felt its incorrect valuation and inappropriate salvage category had caused an unnecessary delay on Miss R's claim and a great deal of upset and inconvenience for her. And that this warranted a compensation payment of £750.

NFU responded to my email to say it still thought it should be able to carry out a physical inspection of Miss R's vehicle and then reconsider its valuation and the salvage category. It

acknowledged my view that it got the salvage category wrong and simply referred to the fact the repair estimate Miss R provided was around £15,000, which made the vehicle uneconomic to repair, even at the higher market value I had suggested. It pointed out that it had asked Miss R to provide an expert report when she said she disagreed with its valuation and salvage category. But instead of doing this, she asked us to consider her complaint. And it thought this had prejudiced its position. It said, now it had seen the expert report, it disagreed with it and wanted the chance to carry out a physical inspection. And it pointed out the report mentions the fact that Miss R's vehicle was in poor condition, but the valuation suggested by the engineer doesn't seem to reflect the pre-existing damage to it.

I issued a provisional decision on this complaint on 5 March 2025 in which I set out what I'd provisionally decided and why as follows:

*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've provisionally decided it should be upheld.*

*I've noted what NFU has said about the expert report provided by Miss R. And I accept she could have provided a copy of this to NFU prior to bringing her complaint to us. However, this doesn't alter my opinion that it got the market value of Miss R's vehicle wrong in the first place. Therefore, I'm satisfied I can take the report into account when considering what the correct market value is.*

*I also still think NFU placed the wrong salvage category on Miss R's vehicle. And I think its response to my recent email on this could explain why. I say this because NFU seems to have placed considerable weight on the fact that the estimate Miss R provided to repair her vehicle was £15,000 and that this is a lot more than the market value. This of course does mean it is uneconomic from NFU's point of view to pay for the vehicle to be repaired. And that it was entitled to write it off. But it does not mean the correct salvage category for it is B. In fact, the estimate provided by Miss R and the comments of NFU's engineer and the other experts involved all suggest this is incorrect. Whether the category should be S, N or there should not be one due to the vehicle being a classic is arguable, but I think what is clear is that NFU should not have placed a salvage category of B on it based on the information it had. Especially, bearing in mind it had chosen not to carry out a physical inspection of it.*

*It is now very late in the day and, while I understand NFU's desire to carry out a physical inspection of Miss R's vehicle, I do not consider it would produce a fair and reasonable outcome to her complaint if I were to allow it to do so. It could have done this at the outset, and I think it should have done so. But it chose not to, and the resolution of Miss R's complaint should not, in my opinion, now be dependent on this happening. It will simply cause a further delay and could lead to a further dispute. And I'd like to bring some closure to this long running saga for Miss R, as I understand it has been a stressful and frustrating process for her. And I think NFU's initial approach, particularly with regards to the salvage category, is the main reason for the matter becoming unnecessarily protracted and frustrating for Miss R.*

*I think there is enough evidence from the experts and the estimate provided for the repair of Miss R's vehicle to say it is at worst a category S for salvage. So, I think the fairest option is to change the salvage category to this. Of course, if NFU thinks it should be N, based on the evidence it now has, then I would consider that to be an acceptable alternative.*

*Returning now to the market value of Miss R's vehicle at the point it was in the accident leading to her claim. According to Miss R's policy this should be the cost of replacing her vehicle with one of the same make, model specification, age and condition. As I have*

*already told NFU, I am not persuaded it got the market value right initially. I think it placed far too much weight on the mileage and condition of Miss R's vehicle and it relied on some adverts with bid prices, not sale prices. This having been said I don't think Miss R provided any examples that were really like for like in terms of condition and mileage. That said they do suggest the value of the type of vehicle Miss R has can vary greatly.*

*Bearing all this in mind, I think it is appropriate for considerable weight to be placed on the expert opinion provided by Miss R. Although, it would have been helpful if he had provided some adverts to back up his view that the market value at the time of the accident was £6,750. However, he did at least inspect the vehicle, which I think gives him a better idea of its value than was the case with NFU's desktop inspection. He has of course mentioned some pre-existing damage. But I presume he reflected this in his estimate of the value. And none of the things he mentioned seem to be significant for the type of vehicle. So, bearing all this in mind, I think the fairest option is for NFU to use the valuation suggested by this expert. Especially, as it also ties in with the estimated value provided by Miss R's friend, who I have no doubt is also an expert, based on what he has said. This means I consider as part of the fair and reasonable outcome to Miss R's complaint, NFU should settle her claim using a market value for her vehicle of £6,750. NFU can of course deduct the excess applicable, which seems to be £600 in total.*

*It is clear Miss R wants to retain her vehicle and have it repaired. But with it being a total loss, i.e. written off, once NFU has paid out in settlement of the claim the terms of Miss R's policy mean it will belong to NFU. This means if Miss R retains it, then I'd consider it reasonable for NFU to deduct what it would have got if it sold it to its salvage agent. So, NFU should let me know what this amount would be in response to this provisional decision. And then when I issue my final decision, I can say exactly what the deduction should be. It will be clear from what I've said that I think NFU's initial decisions on the market value and salvage category unnecessarily delayed Miss R's claim. And, while NFU has said their engineer told Miss R she could take the amount it was offering based on a market value of £4,000, I've not seen anything to show exactly what the engineer said. And it was difficult for Miss R to know what to do with the wrong salvage category on her vehicle. So, I think it is fair and reasonable for Miss R to be compensated for not having funds she should have had. And this means I will require NFU to pay interest at 8% per annum simple on the settlement amount due to Miss R.*

*I also think NFU's unreasonable approach to Miss R's claim initially in terms of the salvage category and valuation has led to her being without her car for a long period of time and caused her considerable distress and inconvenience. And I think the £750 our investigator suggested in compensation for this is fair in all the circumstances.*

### ***My provisional decision***

*For the reasons set out above, I've provisionally decided to uphold Miss R's complaint about The National Farmers' Union Mutual Insurance Society Limited and require it to do the following:*

- Settle Miss R's claim using a market value of £6,750 for her vehicle, less the excess applicable and what it would get for the salvage.*
- Pay interest on the amount due to Miss R at 8% per annum simple from the date it made the first offer in settlement of her claim to the date of actual payment.*
- Change the salvage category on Miss R's vehicle to S (or N if it thinks this is more appropriate).*

- *Pay Miss R £750 in compensation for distress and inconvenience.*

I gave both parties until 9 March 2025 to provide further comments and evidence in response to my provisional decision.

Miss R has responded to say she accepts my provisional decision. However, she has queried whether her policy excess will be waived, as the incident giving rise to her claim wasn't her fault. Or whether it will be deducted, leaving her having to claim it back from the third-party insurer.

NFU doesn't agree with my provisional decision. It has pointed out that it reached out to Miss R about inspecting her vehicle in December 2024, but she didn't get back to it to enable this. It's said at no point has it said that it thinks it got the salvage category wrong when it recorded it as Category B. It's pointed out this category was placed on it based on the damage as reported by Miss R's chosen garage. And the reason it placed this category on it was the cost of the repairs needed, along with the age of the car and the mileage. Because this garage quoted for unrelated work, it suggested Miss R obtained a report. She did this, but it was never provided to it to review. There was no requirement for it to complete a physical inspection of Miss R's vehicle. And since it now can't inspect it, it can't confirm what the correct salvage category is. It has said if the category was N, it would receive 40% of the market value if it kept the vehicle. And, if it was S, it would receive 35%.

### **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, it remains my view that the outcome I set out in my provisional decision is the right one.

I am afraid I cannot say whether NFU will deduct the policy excess from the settlement amount due to Miss R. But what I can say is that it is entitled to do so and should let Miss R know whether it has done so when it provides the settlement amount due to her.

I have noted NFU's comments on the salvage category and I believe they show it still doesn't fully appreciate what it should have taken into account before placing a category B marker on Miss R's vehicle. None of the things it has mentioned are – in my opinion – factors which need significant consideration before placing a category B marker on a vehicle. I say this because they do not make any difference to whether it would be safe to repair a vehicle or not. They are all considerations for deciding whether it is economic to repair a vehicle. So, having given the salvage category further consideration, I am satisfied that, based on the expert opinions provided by Miss R, the correct salvage category for her vehicle is S. This means NFU will need to alter it on any appropriate databases and notify any appropriate authorities to reflect this.

As I said in my provisional decision, Miss R could have sent her expert report to NFU. But this doesn't alter the fact that NFU had the opportunity to inspect her vehicle at the outset of her claim and chose not to do so. I am not suggesting it needed to do so. But I am saying that the fact it didn't, meant it got the valuation and salvage category wrong. Of course, if it had got these right based on the information it had, the fact it didn't inspect the vehicle wouldn't have been a problem. But I think it got both wrong because it didn't properly consider either of these things.

I haven't seen details of NFU's salvage agreement with its salvage agent. But I am willing to accept that it would get 35% of the market value if it kept Miss R's vehicle and placed a

category S marker on it. And, as under normal circumstances, the vehicle would become its property because it is settling Miss R's claim on the basis it is a total loss, I think it is appropriate for it to deduct 35% of the market value before it deducts the excess (if it decides to do this).

Miss R is happy with the level of compensation I suggested for distress and inconvenience and NFU hasn't really commented on it. So, I see no reason to alter my view that it should be £750 in total.

### **Putting things right**

For the reasons set out above and in my provisional decision, I've decided to uphold Miss R's complaint about NFU and require it to do the following:

- Settle Miss R's claim using a market value of £6,750 for her vehicle, less 35% to reflect what it would get for the salvage and less the excess applicable (if it wishes to deduct this).
- Pay interest on the amount due to Miss R at 8% per annum simple from the date it made the first offer in settlement of her claim to the date of actual payment.
- Change the salvage category on Miss R's vehicle to S wherever it is recorded and notify any relevant authorities of this if needed.
- Pay Miss R £750 in compensation for distress and inconvenience. NFU must pay the compensation within 28 days of the date on which we tell it Miss R accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

### **My final decision**

I uphold Miss R's complaint about The National Farmers' Union Mutual Insurance Society Limited and require it to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 21 April 2025.

Robert Short  
**Ombudsman**