

The complaint

Miss C complains about how Tradex Insurance Company PLC ('Tradex') handled a claim made on her car insurance policy.

What happened

Miss C contacted her insurance broker in August 2024 to report damage to her car. She followed this up a month later with Tradex, and it set up a claim for her on her car insurance policy.

Tradex subsequently decided the car was a total loss with a market value of £2,146 and after deducting the policy excess of £200 it issued a payment of £1,946 to Miss C.

Miss C complained that she hadn't wanted to pursue her claim, hadn't been told about this payment or agreed to it, and that she wanted to keep her car.

Tradex provided two final responses to Miss C's complaints. In the first, dated 7 November 2024, it said it was entitled under the policy terms to write the car off if it was beyond economic repair. And based on the age and mileage of the car it was satisfied it wasn't economic to repair it. However, it said it hadn't provided Miss C with a customer journey letter setting out the claims process and hadn't discussed the total loss settlement with her before paying it, which it acknowledged had caused distress and inconvenience. So, in recognition of that, it offered to compensate Miss C £250.

In the second final response, dated 26 November 2024, Tradex said when Miss C called on 30 September 2024 it was with the intention of claiming on her policy. It said that Miss C would be entitled to keep her car, but she would need to pay a retention fee of £429.20. It also said the option was given to Miss C to cancel her claim, but the Category S salvage marker would remain on her car and may impact her cover going forwards.

It again acknowledged there were some mistakes in the handling of Miss C's claim, including instructing a repairer and sending Miss C the total loss settlement payment without speaking to her first. And in recognition of this, it offered to pay Miss C a further £250 compensation.

As Miss C was dissatisfied with this response, she referred her complaint to us. Our investigator thought that it wasn't unreasonable for Tradex to have written the car off, because it had determined it wasn't economic to repair it.

He acknowledged Miss C had requested to cancel the claim on 7 October 2024 and didn't think Tradex had handled this correctly. But he thought the total of £500 compensation Tradex had agreed to pay was fair and reasonable.

Because Miss C didn't agree, the complaint was referred 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 think that Tradex has already agreed to resolve this complaint in a fair and reasonable way. So, I won't be asking it to do anything more. I'll explain why.

I should start by saying while I've read and considered everything Miss C and Tradex have provided, I won't be commenting on every point made. I'll instead concentrate on what I consider are the key points I need to think about for me to reach a fair and reasonable decision. This isn't meant as a discourtesy to either party, but instead reflects the informal nature of this Service.

I also acknowledge that since making this complaint, Miss C has complained about some other matters including being without the use of her car and storage and pick up charges for her car. These are being looked at by this Service as a separate complaint, so I won't be making any findings on those issues here.

Miss C says that Tradex forced her to claim when she didn't want to. I've listened to the recording of the call between Tradex and Miss C on 30 September 2024. Tradex advised Miss C during this call it was informed by her broker she didn't want to claim, which is why it hadn't taken any action to this point. Tradex offered to set up a claim for Miss C during this call, and said the car would most likely be a write off due to its age. Miss C asked to progress the claim during this call. So, I'm satisfied this showed she initially wanted to claim.

Tradex then assessed the car and determined it was a total loss. I've considered if it acted fairly by deciding to deal with the claim as a total loss instead of repairing the car. I've looked at the policy terms and these say if the car is damaged Tradex will decide to either repair the damage or pay an amount equal to the loss or damage up to the market value of the car. The market value is defined in the policy terms as the cost of replacing the car with another of the same make, specification, model, age, mileage and condition immediately before the loss or damage happened.

So, under the policy terms, Tradex were entitled to deal with the claim as a total loss instead of repairing the car. Although Tradex had this discretion, I've considered if it exercised it fairly.

Tradex has provided a copy of its engineer's report, and I can see from this that it carried out a valuation of the car by checking motor valuation guides. Due to the age of the car, only one valuation guide produced a result, which was £2,146. So, Tradex checked this figure against adverts for comparable vehicles for sale, finding the amount to be in line with them. However, due to the age and mileage of the car, Tradex thought it was beyond economic repair. Meaning it would likely cost more to repair the car than to settle the claim by paying a total loss settlement.

I can also see from the engineer's report Tradex categorised the car as a Category S total loss, meaning the car was repairable, but had structural damage.

Typically, insurers will seek to deal with a claim in the most cost-effective way the policy terms allow. And in principle that isn't unfair as insurers are entitled to mitigate their costs. It also isn't unusual for an insurer to deal with a claim as a total loss instead of carrying out repairs once the cost of repairs reach a certain level – often around 60% to 70% of a car's market value – as bearing in mind the money an insurer will recover from the salvage of a car, at a certain point it will likely cost more to the insurer to repair the car than to settle a claim by paying the market value of the car.

I don't think Tradex unfairly exercised its discretion to decide to deal with this claim as a total loss instead of repairing the car. It valued the car in the way I would expect and determined the car was a Category S total loss, indicating that the repairs likely would not be inexpensive. And according to Tradex, Miss C informed it that repairers had quoted her £3,000 and £2,000 for repairs. So, I think on the information that was available, Tradex had reasonable grounds to think the car likely wasn't economic to repair. As such, while I acknowledge Miss C's preference was to have the car repaired, I don't find Tradex acted unfairly by not offering that option.

I think it's clear that Miss C wanted to keep her car though, and I think she expressed that to Tradex. But there would have only been two options which would have allowed her to do this – either she could have withdrawn her claim entirely - in which case the car should have been returned to her but Tradex wouldn't have been required to do anything more, and Miss C wouldn't be entitled to any total loss payment, or she could have accepted the total loss settlement and paid the retention fee to keep the car.

I think Tradex has now been clear with Miss C about the availability of both options if she wishes to keep her car. But I understand Miss C thinks the conditions which apply to these are unfair.

Tradex said if Miss C decides to cancel the claim, it can't be treated as though it never happened. So, it would still be obligated to keep a record that there was an incident, and that the car was recorded as a total loss. I don't think that's unfair as once a car has been deemed a total loss under ABI rules an insurer is obligated to record this. And, under the policy terms, even if Miss C had decided not to claim she was still required to inform Tradex that there had been an accident involving the car.

Tradex has also said that if Miss C wishes to keep the vehicle and the total loss payment, she will need to pay a £429.20 retention fee. I don't consider this to be unfair. This is because when an insurer pays a total loss settlement, it does so based on the vehicle's pre-accident market value – essentially compensating the insured for the full value of the car as it was before the damage occurred.

In return for this payment, ownership of the vehicle (the 'salvage') transfers to the insurer. The insurer is then entitled to dispose of the salvage – often by selling it – and can offset any proceeds against the cost of the claim. If the insured wishes to keep the salvage instead, it's reasonable for the insurer to deduct its value from the total settlement, which is what the retention fee represents.

I've lastly considered the level of service Miss C received from Tradex. Tradex doesn't dispute there were several issues with how it handled the claim. These include paying Miss C the total loss settlement without discussing this with her first, not providing a letter setting out the customer journey, and unnecessarily instructing a repairer.

In addition to the above, although I think it's clear Miss C wanted to proceed with the claim when she spoke with Tradex on 30 September 2024, on 7 October 2024 she contacted it to say she wanted to cancel. I acknowledge Tradex thought Miss C was asking it to cancel its instruction to its repairer, but as she mentions in this email wanting to cancel completely and wanting to see if the car can be repaired, I think this suggests she may have wanted to cancel the claim. So, I think Tradex could have done more at this point to check if Miss C had wished to proceed with the claim.

Miss C informed Tradex that she is disabled and suffers from memory problems. And while I acknowledge Tradex made some accommodations such as providing Miss C a single point of contact and writing to her after speaking to her by phone, I think Miss C's personal

circumstances will have influenced how much distress and inconvenience she experienced by the issues on the claim. So, I have taken this into account when considering if the compensation offered by Tradex was fair and reasonable.

Having considered the evidence provided by Miss C and Tradex, while I appreciate Miss C may be disappointed, I find the £500 compensation Tradex paid to be in line with our award levels for the distress and inconvenience caused by its handling of the claim. So, I find that Tradex has already provided a fair and reasonable response to this complaint in all the circumstances and I've decided not to require it to pay any additional compensation than what it has already offered.

My final decision

Tradex Insurance Company PLC has already agreed to pay Miss C £500 compensation, which I find fair and reasonable in all the circumstances.

So, if it has not already done so, I require Tradex Insurance Company PLC to pay Miss C £500, or if it has already paid part of this, to pay any further remaining amount required to bring the total paid to £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 16 July 2025.

Daniel Tinkler
Ombudsman