

## The complaint

Mr G complains about how Nelson Insurance Company Ltd handled a claim on his motor insurance.

Nelson used a third party company to handle Mr G's claim and most of his correspondence has been with this company rather than directly with Nelson. For the avoidance of doubt, any reference to Nelson includes its agents, including the claims handling company.

## What happened

Mr G had a specialist motor insurance policy with Nelson, arranged through an insurance broker. In September 2023 he was involved in a road accident. He reported this to Nelson and made a claim on his insurance.

A timeline of the claim is:

- 4 September 2023. Mr G's accident.
- 5 September. Mr G reported the accident and submitted photos of the damage.
- 12 September. Nelson's interim assessment estimated repairs at over £15,000 (including VAT).
- 15 September.
  - Nelson told Mr G the car was likely to be a total loss. It asked him to provide several documents, including the V5, purchase receipt, driving licence, and others.
  - Mr G replied the same day. He asked Nelson to return his car to him *"in its current state. I will then make arrangements for repairs myself."*
- 27 September. Nelson told Mr G it believed his car was a total loss. It had instructed its engineer to inspect the car and value it. It requested Mr G's documents again.
- 28 September. Mr G provided the requested documents.
- 3 October. Engineer inspected the car and estimated repairs at over £9,000. He valued Mr G's car at £8,375. This meant, under the policy terms, it was a total loss.
- 5 October. Nelson offered Mr G £8,375 to settle the claim, less the £500 policy excess.
- 6 October. Mr G agreed the settlement offer and gave Nelson his bank details.
- 17 October. Settlement paid.

Mr G is unhappy with Nelson's handling of his claim. He says, in summary:

- He asked Nelson to return the car *"a number of times"* so he could fix it himself but Nelson ignored him.
- He was unable to work *"due to the amount of time taken by [Nelson] to process the claim."*
- Soon after settlement, he discovered his car had been repaired and was back on the road. He says the car *"had been clocked by approximately 14,000 miles"*.

- He's unhappy Nelson didn't return the car to him and says this has cost him financially.

Nelson didn't provide a final response to Mr G's complaint, so our investigator reviewed it. Having done so, he recommended that the complaint should be upheld.

Our investigator thought Nelson's valuation of Mr G's car was too low. He also thought Nelson should have returned the car to Mr G so that he could arrange his own repairs. He thought Mr G would have repaired his car more quickly than Nelson settled his claim, so this resulted in a loss of income for Mr G. He asked Nelson to pay this to Mr G, plus interest. Finally, he thought Nelson's handling of the claim caused Mr G some distress and inconvenience. He thought Nelson should pay Mr G £350 to reflect this.

Nelson didn't accept this, so the complaint was passed to me.

### **My provisional decision**

I issued a provisional decision on this complaint on 27 April 2025. I said:

*"There are several relevant policy terms here:*

- *Page 15 of the policy booklet (Section 2, 'Loss of or damage to your vehicle') says: "If your vehicle is damaged it will be our decision whether to repair, replace it or pay in cash the amount of the damage."*
- *Page 7 explains that a car will be a total loss "when the cost of repair of your vehicle combined with its salvage value exceeds the market value."*
- *Page 6 defines market value as "The cost of replacing your vehicle as far as may be practical with one of the same make, model, year, type, mileage, and condition at the time of the loss..."*

*Following his inspection, Nelson's engineer estimated the cost of repairs at £9,964.49 (including VAT). This was much lower than the interim estimate but still more than the car's pre-accident value of £8,375. The engineer's report notes "moderate impact into front left corner". This is supported by photos of the car, which also show damage to the car's engine and cooling system. The most significant repair costs are for the bodywork, radar sensor, and radiator.*

*Nelson used three valuation guides to value Mr G's car. These guides are based on nationwide research of selling prices and I'm satisfied that they were based on a similar make, model, mileage, and condition of Mr G's car at the time of loss. The valuations were £8,820, £8,375, and £7,510. All of these are less than the estimated cost of repairs, so I'm satisfied that, under the policy terms, the car was a total loss.*

*Nelson declared the car a Category N write-off. That means the car wasn't structurally damaged, but would have cost more to repair than it was worth (known as 'beyond economical repair' or BER). Once it settled Mr G's claim the car became Nelson's property, as set out in page 17 of the policy booklet: "Should we declare your vehicle a total loss and we make a payment on this basis, your vehicle becomes our property unless we agree otherwise." That means Nelson could do what it wanted with the car, including selling it. Its salvage agent sold the car soon after settlement, the car was repaired, and – according to Mr G – is now back on the road. While I understand why Mr G would be frustrated by this, I'm satisfied that Nelson acted in line with the policy terms. Once it had settled the claim, I think it was reasonable for it to sell the car. I also think Nelson's reasons for not returning the car to Mr G as salvage were reasonable.*

*Having said that, I think there are two problems with Nelson's handling of the claim: its lack of response when Mr G asked for his car back, and the settlement offer.*

*First, Mr G initially asked Nelson to return his car so he could repair it himself. Nelson's records confirm he emailed about this on 15, 17, 20, and 25 September. An undated internal memo said: "I note ph [policyholder] has emailed in twice now requesting car to be returned to him and he will repair himself, so we will need to ascertain if he wishes to claim now?" So there's no doubt Nelson knew Mr G wanted his car back. There's no evidence it ever answered this.*

*The policy allows Mr G to arrange for his own repairs. If he chooses to do this Nelson has to approve any repair estimate, won't pay more for labour than its approved repairer would have charged, and will apply an additional excess to any settlement (page 5, 'Who repairs my vehicle').*

*If Mr G had wanted Nelson to pay for repairs, it needed to approve any estimate before his car could be fixed. If he'd done this privately, his garage would have had to book in the car, assess the damage, source replacement parts, and carry out repairs. Either way, I think it's unlikely his car would have been repaired before 17 October – the date Nelson paid the settlement. While frustrating, motor insurance claims take time to resolve. Mr G made a claim on 5 September, settlement was agreed on 6 October, and Nelson paid out on 17 October. Given the circumstances, I don't think this was unreasonable. I also note that Mr G had a hire car for most of this period. So I don't think Nelson can reasonably be held liable for any loss of income suffered by Mr G.*

*However, I don't think it was acceptable for Nelson to ignore Mr G's emails or fail to discuss his options given it knew he wanted his car back. I think this caused Mr G some distress. I think Mr G became more frustrated once he discovered his car was back on the road, but – as I said above – by that point the car was Nelson's property. (For the avoidance of doubt, I'm satisfied that Nelson can't be held liable for any 'clocking' of the car. The sales invoice shows it was sold with the same mileage as recorded at the time of the accident.) I think Nelson should have done more to explain the situation. I think it should compensate Mr G for this. In mitigation, Mr G accepted the settlement offer, and I'm satisfied Nelson settled the claim in reasonably good time. I've thought about the level of award made by this service in similar circumstances. Having done so, I think Nelson should pay Mr G £250.*

*Second, Nelson had to pay Mr G the car's market value. Where when an insurer offers below the highest guide valuation it needs to show why it's done this and why its valuation is fair. Nelson hasn't explained why it used the middle of the three valuations in October 2023. I see no reason why it shouldn't have paid the highest valuation its engineer found; that is, £8,820. So I think the valuation Nelson used to settle the claim was too low. It should pay the difference (£445) to Mr G, plus interest.*

## **Responses to my provisional decision**

Nelson didn't respond.

Mr G told us he agreed with my findings. He later told us he'd received a £695 payment from Nelson.

## **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.

Given neither party has anything to add, and Mr G accepted my findings, I see no reason to change my provisional decision. I uphold the complaint for the reasons I set out in my provisional decision.

### **Putting things right**

Nelson's recent payment to Mr G looks like an effort to settle the complaint in line with my recommendation – £445 extra for the car, plus £250 compensation for its poor handling of Mr G's claim. However, it doesn't include interest.

For the avoidance of doubt, Nelson must pay interest on the £445. This represents interest for the period Mr G was deprived of this money because it incorrectly settled his claim. It accrues from the date Nelson originally settled the claim (17 October 2023) to the date it recently paid £695 to Mr G.

If Nelson doesn't pay this interest within 28 days of Mr G accepting my final decision, it will have to pay interest on this outstanding amount.

### **My final decision**

My final decision is that I uphold the complaint and order Nelson Insurance Company Ltd to:

- Pay Mr G £445 to reflect the difference between the highest guide valuation for his car and the valuation it used to settle the claim.
- Add interest to this amount at 8% simple per year from the date of settlement to the date of payment.
- Pay Mr G £250 to reflect the poor handling of his claim.

Nelson must pay the compensation within 28 days of the date on which we tell it Mr G accepts my final decision. If it pays later than this it must also pay interest on any outstanding amount at 8% simple per year from the date of my final decision to the date of payment.

If Nelson considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 June 2025.

Simon Begley  
**Ombudsman**