

The complaint

Mr J complains about the total loss valuation AA Underwriting Insurance Company Limited ('AA') placed on his car following a claim made on his car insurance policy. In addition to this, Mr J is unhappy with the service he received relating to a replacement vehicle.

What happened

In August 2024, Mr J's car was damaged when it was hit whilst parked. So, he contacted AA to claim on his car insurance policy. After assessing the damage, AA decided the car was a total loss and it settled the claim by paying a total loss cash settlement of £5,001.

Mr J complained about the settlement amount, and the service he'd received relating to a replacement vehicle. AA provided a final response to this complaint on 17 October 2024. It did not agree it had unfairly valued the car saying it used three motor valuation guides which provided valuations of £5,210, £3,575 and £4,792 and it paid £5,001 which was the average of the two highest valuations.

With regards to the hire car, it said Mr J was advised acceptance of an interim total loss payment was necessary for the hire car to continue, but this shouldn't have been communicated to him as it was at the credit hire providers discretion as to whether to continue to provide Mr J a hire car. It also said Mr J had incorrectly been told he wouldn't be allowed to dispute the total loss settlement unless he accepted an interim payment. In recognition of this miscommunication, it paid Mr J £50 compensation.

Mr J was dissatisfied with this response. So, he brought his complaint to us. Our investigator didn't think AA had unfairly valued the car. He said he checked three valuation guides which gave values of £4,800, £4,015 and £3,946 and because the valuations were closely aligned and AA's valuation was above these, he thought it was a fair market value for the car. And although he looked at adverts Mr J had provided showing similar cars for sale, he didn't find these persuasive as they were not close matches for Mr J's car.

The investigator also looked at the service Mr J had received from AA regarding the hire car. But he said that as Mr J had received the hire car through a credit hire company, rather than directly from AA, he couldn't consider the issue Mr J had raised about difficulty he'd had getting a seven-seater vehicle. However, he didn't think that £50 compensation was enough for the advice Mr J had been given that he'd need to accept an interim payment for the hire car to continue, noting that AA had also pressured Mr J into accepting an interim payment by saying he couldn't raise a dispute about the total loss valuation if he didn't. So, he recommended AA pay Mr J a further £50, to bring the total compensation to £100.

Mr J accepted the investigators opinion, but AA did not saying it thought £50 compensation was reasonable. Because AA 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've decided to uphold this complaint in part. I'll explain why.

The vehicle valuation

It isn't the role of this service to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly.

The policy terms say that AA will settle a claim either by carrying out a repair, providing a replacement, or paying a cash settlement for the amount of the loss or damage and that the maximum amount payable will be the market value of the insured car. The market value is defined as the cost of replacing the insured car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss.

So, given that Mr J's car was a total loss, under the policy terms AA were required to pay him what it would cost to replace the car with one similar at the time of the loss. So, I've considered if AA has shown its offer would reasonably have allowed Mr J to do this.

AA used motor valuation guides to value the car, which is standard industry practice and isn't unreasonable given these guides are generally based on the prices of similar vehicles for sale.

It's generally good industry practice for insurers to base their settlement on the highest figure produced by valuation guides, unless they can show it would be unfair to do so. This is to avoid the risk of detriment to a consumer in not receiving a fair market value for their car.

AA didn't do that here, as the highest valuation it obtained was £5,210. But instead of paying this amount, it combined this figure with the second highest valuation it obtained of £4,792 to produce an average of £5,001. I've considered if that was fair.

I don't think that it was unfair for AA to have used an average here. I've looked at the valuations it obtained, and I can see the £5,210 valuation was based on an average mileage of 99,000 rather than the actual mileage of 115,302. When the investigator searched the same guide with the actual mileage of 115,302 the valuation it produced was £4,800. So, I think the difference in mileage likely had an impact on value produced. Consequently, given the settlement of £5,001 ended up being higher than the remaining valuations obtained by either AA or the investigator, I don't think the average of £5,001 AA used was unfair.

I acknowledge that Mr J and AA have both provided adverts showing similar cars for sale. I've looked at the examples both parties have provided which show a range of different values either side of AA's settlement figure. But I'm not persuaded the adverts are consistent in showing Mr J likely couldn't have obtained a similar replacement car at the time of loss for the £5,001 settlement.

So, I find that the evidence here shows AA offered a fair and reasonable settlement which was in line with the policy terms for the total loss of Mr J's car. And as such, I won't be requiring AA to increase the total loss claim settlement.

Providing a replacement car

The terms of Mr J's policy say that a courtesy car won't be provided if the vehicle is a total loss. Additionally, although the option of guaranteed hire car was available, Mr J's Statement of Insurance shows that he did not take this option out. So, under the terms of the policy, AA

weren't required to provide Mr J with any replacement vehicle. As such, while I acknowledge Mr J says he was without a vehicle for several days, I don't find AA acted unfairly here because it wasn't required under his policy terms to provide him a replacement vehicle.

Since Mr J didn't have any cover under his policy for a replacement vehicle, but the accident wasn't his fault, AA referred him to a credit hire company. It isn't unusual for insurers to do this, but because the credit hire is provided by a third party company and is provided outside of the terms of the policy, I can only consider if AA acted unfairly in referring Mr J to credit hire. I can't consider the service he received from the credit hire company itself.

Mr J says he spent a lot of time trying to get a 7 seater vehicle once he was passed on to a credit hire company, but was told one wasn't available. But I don't think the lack of availability of a particular type of vehicle was something which AA could reasonably have foreseen when it referred Mr J to a credit hire company. So, I don't think AA acted unfairly here.

After Mr J was provided with a replacement car, AA says it informed him he would need to accept an interim total loss payment to continue to receive the car from the credit hire company, and that unless Mr J accepted an interim payment, he couldn't dispute the total loss settlement amount. Since this relates to advice AA gave to Mr J, I'm satisfied I can consider it in this complaint.

AA didn't dispute that it misinformed Mr J and unfairly led him to feel pressured into accepting the interim payment and in recognition of this it agreed to pay him £50 compensation. AA said that it didn't think paying another £50 compensation was reasonable because although it gave Mr J the wrong information on 22 August 2024, it called him back 21 minutes later to correct this.

I've listened to the call recordings AA provided of the conversations it had with Mr J on 22 August 2024. But these conversations relate to the initial credit hire referral rather than the later conversation where AA told Mr J he couldn't dispute the total loss settlement or keep the replacement car unless he accepted an interim payment. The error which AA made during the call on 22 August 2024 and corrected in a follow up call on the same date, was in giving Mr J the wrong name for the credit hire company it was referring him to. So, I don't think these conversations relate to the issue which AA compensated Mr J £50 for.

Ultimately, I don't think it was unfair for AA to make an interim total loss payment. But I think it was unfair for AA to lead Mr J to think his right to dispute the amount was dependent on his acceptance of the interim payment, or that his credit hire car would be removed if he didn't accept the payment. So, I think that caused Mr J some avoidable distress and inconvenience. For the impact caused, I think a total of £100 is fair and reasonable and in line with our award levels. Given that AA has already paid £50 compensation, to put things right it should pay Mr J an additional £50.

Putting things right

I require AA to pay Mr J a further £50 compensation to bring the total to £100 for the distress and inconvenience caused by misadvising Mr J in relation to the interim payment.

My final decision

My final decision is that I uphold this complaint in part, and I require AA Underwriting Insurance Company Limited to carry out what I've set out in the 'Putting things right' section of this decision.

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

Daniel Tinkler
Ombudsman