

The complaint

Mr B has complained about the way his commercial vehicle insurer, Aviva Insurance Limited ('Aviva') dealt with a claim he made on his policy as well as the decision to declare his car a total loss.

What happened

In March 2024 Mr B's car was damaged after someone, who wasn't identified, crashed into it while it was parked. He made a claim on his policy with Aviva.

Aviva said that the car was beyond economic repair i.e. a total loss. It offered Mr B £10,000 for the pre-accident value which Mr B considered to be too low and complained about. Aviva didn't think an increase was warranted and rejected Mr B's complaint. In July 2024 it offered to pay Mr B the £10,000 as an interim payment on a without prejudice basis.

Mr B then brought his complaint to our service but in the meantime he informed Aviva that he was also unhappy about the 30% it wanted to charge in the event Mr B wanted to keep the salvage. He was also unhappy that Aviva didn't decide to repair the car and also about the impact this being a fault claim was having on his no claims discount (NCD).

Aviva didn't uphold the complaint. It said this was a fault claim, not because Mr B was at fault for the accident, but because there was no possibility of recovering its outlay as the third party hadn't been identified. It added that the car was not economical to repair and that an appropriately qualified person/engineer had declared it a Category N (no structural damage) salvage. It added that the 30% was what it would have reasonably received if it had retained the salvage and disposed of it itself.

Mr B said that he would agree to the 30% deduction if the valuation was £15,000. He added that he lost four years from his NCD rather than the two he expected to lose.

One of our investigators reviewed the complaint and thought it should be upheld. She thought £12,637 was a fairer valuation for Mr B's car. Our investigator didn't uphold the other parts of Mr B's complaint and thought that the proposed salvage deduction was fair and reasonable as was the decision to declare the car a total loss. And she also thought it was fair that the claim was recorded as a "fault" claim as there was no prospect of Aviva recovering its outlay. She thought Aviva should pay interest on the £2,637 difference from the date of its without prejudice offer.

Aviva didn't agree and provided our investigator with further evidence including adverts in support of its valuation.

Our investigator didn't change her view and shared further information regarding her valuations with Aviva as per its request. The matter was then passed 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.

The policy provides cover for loss of or damage to the insured vehicle. It says the maximum amount Aviva will pay will be the market value of the car immediately prior to the loss or damage. The policy defines "market value" as the cost of replacing the insured's vehicle with one of the same make, model, specification and condition.

Our service has an approach to valuation cases like Mr B's that has evolved in recent times. When looking at the valuation placed on a car by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn't value cars. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they're based on nationwide sales prices.

In arriving at its valuation Aviva consulted a motor valuation guide which provided a valuation of £8,390 and an advert for £7,989 for a car with higher mileage. Our investigator consulted three further guides which returned valuations of £12,637, £9,002 and £10,250. I think the valuations are fairly close to each other and I'm, therefore, persuaded that they are for the same car. And I didn't consider any to be an outlier so, I haven't discounted any of them.

Aviva valued Mr B's car at £10,000 which was higher than the valuations it obtained. After it received our investigator's view it provided more adverts in support of its valuation being fair as well as its engineer's assessment. The engineer said that there were very few similar examples due to Mr B's car having very high mileage. The adverts it found were for £9,995 for a car with slightly lower mileage and £7,989 for a car with similar mileage. The engineer adjusted these values for the same mileage as Mr B's car and they returned values of £9,959 and £9,535. So, Aviva said it felt its £10,000 was fair.

Though adverts can sometimes be useful when deciding whether a valuation provided by an insurer is fair and reasonable, I don't tend to find them as persuasive as the guides. This is because the guides are based on sales prices. The price that a car is advertised for isn't necessarily the price it will sell for. Also advertised prices can vary a lot especially if there aren't many similar cars on the market like in this case.

Looking at the valuations produced by the guides I'm not persuaded that Aviva's offer of £10,000 is fair. Given that there isn't any other evidence that is as persuasive as the guides to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr B, the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that £12,637 is a fair valuation.

Mr B was also unhappy with Aviva's proposed 30% deduction in the event he wanted to keep the salvage. Aviva has provided evidence that the 30% salvage deduction is in line with what it would have received had it disposed of the salvage. So I think its actions have been fair and reasonable in this regard.

Mr B was also unhappy that his car was declared a total loss rather than repaired. As our investigator explained the estimated cost of repairs was higher than the value of the car, making it uneconomical to repair. But even if the repairs would have cost less, it's not uncommon for insurers to still write a car off especially if extensive repairs are required and also because it isn't unusual for further repairs to be required once a car has been stripped for repairs. So I think the decision to declare Mr B's car a total loss was fair and reasonable.

I also agree that it was reasonable that this was logged as a "fault" claim despite not being Mr B's fault. This is due to the fact that Aviva is unlikely to be able to recover its outlay as the accident was caused by an unknown third party. Mr B said he had eight years NCD but after the accident this was reduced to four rather than six. From Mr B's insurance proposal document to his broker, it seems his NCD was six years, not protected. Aviva said this was the maximum entitlement, so Mr B's fault claim reduced the NCD by two years to four. So the reduction wasn't four years as Mr B believed. I think this is fair and reasonable and seems to be in line with most insurers' step back process which is two years. Nevertheless, if Mr B is unhappy that his NCD was capped at six years to begin with (rather than the eight he said he had), he is free to raise a further complaint.

My final decision

For the reasons above, I have decided to uphold this complaint. Aviva Insurance Limited must settle Mr B's total loss claim based on a £12,637 valuation. If Mr B wishes to retain the salvage, Aviva Insurance Limited may deduct 30% from this valuation.

Aviva Insurance Limited can deduct any interim payments it may have already made from the amount it pays Mr B. The settlement is subject to policy deductions including any applicable excess, unless those have already been deducted from any interim payments.

Aviva Insurance Limited must also pay Mr B 8% interest per year simple on the £2,637 difference, calculated from the date of its interim payment offer to the date it pays Mr B.

If Aviva Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate 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 B to accept or reject my decision before 4 August 2025.

Anastasia Serdari
Ombudsman