

The complaint

Mr B has complained on behalf of his company about the company's motor insurer Wakam, regarding the price it offered him when it disposed of his total loss vehicle.

What happened

A car belonging to Mr B's company was stolen and recovered but found to be damaged beyond repair. Wakam's engineer felt it was a category B write-off – damaged such that it couldn't be returned to the road. So Wakam disposed of it. It told Mr B that it would pay him the vehicle's salvage value. It said it had an agreement with its salvage agents for them to pay it 8% of the car's market value. It said that meant it would pay Mr B £949.60.

Mr B was unhappy. When he complained to Wakam, it explained it had a legal duty to dispose of the car. So Mr B complained to the Financial Ombudsman Service.

Our Investigator asked Wakam for evidence of its salvage agreement. Wakam said it would provide it, but didn't do so. Our Investigator, therefore, felt Wakam had not shown it had made a fair settlement to Mr B. So she said it should pay him the car's market value.

Mr B didn't object to the outcome. Wakam said it disagreed. It said the dispute was about the fair salvage value of the car and, if it was felt that the value it had applied was unfair, it wasn't then reasonable to resolve that unfairness by making it pay a sum equivalent to the car's market value.

The complaint was referred to me for an Ombudsman's decision.

Having reviewed everything, I was minded to uphold the complaint – but not in the same way as that suggested by our Investigator. I didn't think that awarding Mr B the market value of the car was appropriate redress for a complaint which really turned on what the fair and reasonable salvage value of the vehicle was. I wasn't satisfied though that Wakam had shown the salvage value it had determined for Mr B's car was fair and reasonable. I thought it should be paying £1,424.40. So I issued a provisional decision. However, in my findings, I said I'd allow Wakam a final chance to evidence, in reply to my provisional decision, what its salvage agreement had been. I said, if it satisfied me of that agreement, I'd likely find its offer of £949.60 was fair and not uphold the complaint.

My provisional findings were:

"This is a complaint about the amount Wakam paid to Mr B when it disposed of his car. For completeness I'll add at the outset that as the car was found to have damage so severe it was deemed a category B, Wakam had a duty to dispose of the car. It said to Mr B though that it would pay to him the salvage value of the car because, strictly speaking, those 'profits' came from his 'property'. So, in paying the salvage sum to Mr B, Wakam has to be able to show it treated Mr B fairly.

In short that means it has to be able to show its treated Mr B as it would anyone else it was paying a salvage value to. Wakam paid Mr B 8% of the car's market value. It said that 8% is what it is paid under its salvage agreement with its agent – meaning when it writes off any policyholder's car as a category B, it would be paid 8% of the vehicle's market value by its salvage agent. But Wakam hasn't, despite having had ample opportunity to do so, shown us that agreement. Which means it has not satisfied me that its treated Mr B fairly. As such I need to think about what is required to ensure a fair and reasonable salvage value is paid.

Through our work, this Service becomes aware of what happens in the industry as a whole. So we know about agreements like this held by other insurers. We're aware that other insurers are paid as much as 12% of the vehicle's market value in salvage by their agents for category B cars with market values similar to Mr B's.

Because Wakam has not shown us what its agreement is, I think a fair resolution would be for it to pay Mr B based on a salvage amount of 12% of the car's pre loss market value. Wakam's offer of £949.60 based on 8%, would derive a market value of £11,870 – so 12% of that figure is £1,424.40. I think Wakam should pay this sum to Mr B in settlement of the salvage value of his car. To that figure it should add 8% simple interest applied from the 16 October 2024, the date of its final response letter, until settlement is made.

However, and to be clear, if Wakam, in response to this provisional decision, should provide its salvage agreement showing it is paid 8% by its agent for category B vehicles, then I'll likely find its original offer – based on that agreement to pay Mr B £949.60 – is fair and reasonable. In that event I will issue a final decision not upholding the complaint."

Following issue of my provisional decision, Wakam did not provide any evidence of its salvage agreement. In fact it did not respond to my provisional decision at all.

Mr B replied. He went over the events of his claim which led to the point of Wakam disposing of his car and offering the salvage sum. He argued he should still get the market value of his car because the claim was declined and Wakam, therefore, should never have disposed of his car. He said, if the car had been returned to him, he'd have got far more than even my amended salvage value because its parts were worth thousands of pounds on the second hand market.

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.

I note Wakam has not replied. So it has not evidenced to my satisfaction that its offer of 8% as a salvage value was fair and reasonable. As such I remain of the view that 12% of the car's market value is a fair and reasonable salvage sum for Wakam to pay Mr B.

I also note Mr B's reply. I'm not, in this complaint reviewing the claim details which have previously been considered by this Service. And I said provisionally that Wakam, regardless of how that claim resolved, had a duty to ensure a car, as badly damaged as this one was, was not returned to the road. So whilst Mr B might have got more for the parts if the car had been returned to him and if he had sold those parts on – that was not something he was ever entitled to do. As such, Wakam is not 'liable' to him for that loss.

I explained provisionally what I thought Wakam was liable for – given the lack of evidence it had provided to this Service. I remain of that view now. As such, my provisional findings are now those of this my final decision.

My final decision

I uphold this complaint. I require Wakam to pay Mr B £1,424.40, plus 8% simple interest* applied from the 16 October 2024 until settlement is made. If any part of that has already been paid by Wakam, it won't need to pay that again.

* HM Revenue & Customs may require Wakam to take off tax from this interest. If asked, it must give Mr B a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 July 2025.

Fiona Robinson
Ombudsman