DRN-5612256

The complaint

Mr L complains about how his insurer, Acromas Insurance Company Limited (Acromas) handled a claim under his motor insurance policy following an accident in which his vehicle was hit whilst parked.

Any reference to Acromas in this decision includes their agents.

What happened

The detail of what happened in this case is well known to Mr L and to Acromas, so I've only included a summary of the key events here.

In September 2022 Mr L's vehicle has hit whilst parked (Mr L wasn't in the vehicle at the time). The other driver left the scene, but there were two witnesses to what happened, who provided their contact details and their account of what happened. The third party driver failed to respond to their insurer for a significant time after the incident. But Acromas failed to contact the witnesses, telling Mr L they didn't have sufficient evidence to progress the claim and that they were unlikely to recover their outlay on the claim.

The damage to Mr L's vehicle was significant. Acromas didn't physically inspect the vehicle but from a desk review, including photographs of the damage, they concluded the vehicle should be deemed a total loss (Category S) as the estimated repair costs were close to the estimated market value of the vehicle (£4,549). Mr L elected to retain the vehicle, meaning a salvage deduction of £1,092 was applied to the valuation, along with the policy excess of £400. This left a net settlement to Mr L of £3,057.

Unhappy at how Acromas handled the claim, Mr L complained (February 2024).

Acromas upheld the complaint in part. They accepted there had been a lack of communication from their Liability Department about the status of Mr L's claim and confirmation of liability. Acromas also accepted they hadn't responded to emails Mr L had sent. Acromas also accepted their Liability Department should have acknowledged the witnesses sooner and reviewed their statement sooner. There were also significant delays in handling the claim. Acromas also accepted they should have physically inspected Mr L's vehicle before reaching their decision to deem the vehicle a total loss. In recognition of their uphold of several elements of complaint, Acromas awarded £450 compensation.

But Acromas didn't accept their valuation of Mr L's vehicle should be increased. From further market research, they thought the valuation of a vehicle with similar mileage to that of Mr L's would be £4,000 (compared to their offer of £4,270 - although they actually based their settlement on a valuation of £4,549).

Mr L rejected Acromas' final response, so he complained to this Service. He was unhappy at how Aromas had handled his claim, including not following up witnesses and the time taken. Our investigator didn't uphold the complaint, concluding Acromas didn't need to take any action. She noted what Acromas said bout shortcomings in their handling of the claim, including failings in communication and not responding to emails. She also noted Acromas

failed to contact the witnesses in a timely way, receiving information in February 2024 but not reviewing it until April 2024. The claim wasn't finalised until October 2024. Considering the acknowledged shortcomings in Acromas' handling of the claim, against the published guidelines from this Service on awards for distress and inconvenience, she thought Acromas' offer of £450 compensation was fair.

On the valuation of Mr L's vehicle, the investigator considered the evidence available, including that from recognised industry valuation guides. She thought a fair valuation would be £4,601 which was close to Acromas' valuation of £4,549.

Mr L disagreed with the investigator's view and asked that an Ombudsman review the complaint. He didn't think the £450 compensation awarded by Acromas was sufficient given the way they'd handled the claim, particularly the delays finalising the claim and lack of communication from Acromas.

So, the complaint has been passed to me to consider.

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.

My role here is to decide whether Acromas has acted fairly towards Mr L.

There are several key issues in Mr L's complaint, but from what I've seen and his response to our investigator's view, the main issue is the handling of his claim by Acromas, particularly the length of time taken to finalise the claim. Within this overall issue there are specific aspects, including lack of communication, delays in considering evidence from witnesses and confirmation of liability for the incident. While Acromas have awarded £450 compensation for the shortcomings they have accepted, mr L doesn't think it's sufficient for the impact on him.

While Mr L hasn't specifically raised the issue of the valuation of his vehicle as a total loss (or the decision of Acromas to deem his vehicle a total loss) I have considered these aspects as they were included in Acromas' final response.

Starting with the decision to deem Mr L's vehicle a total loss, Acromas acknowledge in their final response they should have arranged a physical inspection of Mr L's vehicle before reaching their decision to deem the vehicle a total loss. Rather than, as happened, they made a desktop assessment of the damage based on photographs of the vehicle. While acknowledging what Acromas have said, I'm not persuaded a physical inspection would necessarily have led them to reach a different decision. That is, that they would have decided the vehicle wasn't a total loss and therefore would be repairable.

Looking at the engineer (D) report on Mr L's vehicle, it includes an estimated repair cost totalling £4,318. The report also includes a valuation estimate of £4,549 (based on the higher of two figures from recognised industry valuation guides, with an adjustment for the mileage of the vehicle). Given the repair estimate is very close to the vehicle valuation, then I think it was reasonable to conclude the vehicle was uneconomical to repair and therefore should be considered a total loss (Category S – structural damage).

The report also includes a reference to D having been contacted by Mr L and a discussion of the vehicle valuation, to which Mr L agreed. The report also notes a discussion of the salvage retention of the vehicle (by Mr L) and that the vehicle has been repaired and passed an MOT (December 2022).

Looking at the valuation figures, those in D's report are:

(A) £4,280
(B) £4,549

Acromas used the higher of the two valuations as the basis of their offer.
From our investigation of the complaint, we obtained equivalent valuations from three recognised valuation guides (two of which are the same guides as those in D's report) The relevant figures are:

(A) £4,270
(B) £4,550
(C) £4,984

The figures for the first two guides are very close to the equivalent figures obtained by Acromas. The third figure is higher than the first two, but Acromas didn't use that guide (saying it wasn't available at the time).

Our current approach to valuations as a Service would be to expect an insurer to use the highest available guide valuation, unless there is evidence to support a lower valuation. However, at the time Acromas made their offer, our approach was different, in that it would be based on an average of the guide valuations. This latter approach would, using the figures from the three guides, indicate an average valuation of £4,601. Which is very close to the valuation of £4,549 used by Acromas. And I note that applying our current approach to valuations as a Service to the available guide valuations obtained by Acromas (two valuations) would indicate the higher of the two valuations, which is what Acromas applied.

The salvage retention figure applied by Acromas was based on a proportion of 24% of the gross valuation, reflecting what Acromas would have received for the vehicle as salvage had Mr L decided not to retain the vehicle. In that scenario, Acromas would have paid the gross valuation and ownership of the vehicle would have passed to them, at which point they would have disposed of the vehicle through their salvage agents and received a salvage value (salvage values are typically subject to agreed contractual rates between an insurer and their salvage agent).

Acromas also applied the policy excess figure (£400) to the settlement, which when added to the salvage retention figure gave a net settlement of £3,057. As the policy excess, this would have been applied to the claim however it was settled, which is fair and reasonable.

Taking all these points into account, then I've concluded Acromas acted fairly in using a valuation of £4,549 as the basis for their total loss settlement.

Coming back to the main aspect of the complaint, I've considered Acromas' handling of the claim, I've looked at the sequence of events.

I can see Acromas contacted the third party insurers (in January 2023) to request they accept liability and that they reimburse Acromas for their outlay on the claim (the total loss settlement of Mr L's vehicle). I can also see the third party insurer responding (in June 2023) to say the third party denied being involved in the accident A further denial of liability was received in February 2024, at which point Acromas asked Mr L for details of the incident and any witnesses (something he'd originally provided when fist notifying Acromas of the incident in September 2022).

With respect to Aromas contacting the witnesses to the incident, I can see Mr L provided details of a witness to the incident shortly after it took place, in September 2022. But I can also see that Acromas wrote to one of the witnesses - but not until February 2024 - asking them to complete a questionnaire. I can also see completed questionnaires (also dated February 2024). And Acromas accept the witness statement(s) weren't reviewed until April 2024 (and then sent to the third party insurer). It's unclear why it took so long for Acromas to follow up the witnesses, something that Acromas themselves acknowledge. Had they done so, I think it likely they would have been able to obtain settlement of the claim from the third party insurer much sooner than they did (see next paragraph).

Regarding settlement of the claim, I can see Acromas wrote to Mr L in October 2024 to say settlement had been agreed with the third party insurers for the damage to Mr L's vehicle (the total loss settlement). The letter confirms Mr L's No Claims Discount (NCD) has been reinstated.

What's also clear from Acromas' case notes is that there was little communication with Mr L over the period through to early 2024 and they've acknowledged this and a lack of response to emails.

Taking all these points together, I've concluded there were significant shortcomings in Acromas' handling of the claim, particularly their failure to contact the witnesses until February 2024, nearly 18 months after the incident and their details being provided by Mr L. Had Acromas contacted them at the time, I think it likely this would have led to the claim liability being accepted by the third party insurer much sooner, leading to the claim being settled much sooner. The delays were therefore avoidable on the part of Acromas, causing unnecessary distress and inconvenience to Mr L.

Having reached this conclusion, I've then considered what would be fair and reasonable compensation for the distress and inconvenience suffered by Mr L. In doing so, I've had regard to the published guidelines from this Service on our approach to awards for distress and inconvenience. I think the impact of Acromas' shortcomings caused Mr L considerable distress, worry and upset and significant inconvenience that needed a lot of effort to sort out, over a period of many months.

Having considered these factors, I've concluded £450 is fair and reasonable. As this is the sum awarded by Acromas (which has been paid) then I won't be asking them to make a further award.

Taking all these points together, I can't conclude Acromas have acted unfairly or unreasonably, so I won't be asking them to take any further action.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 31 July 2025.

Paul King
Ombudsman