

The complaint

Miss L says that when she made a claim on her motor insurance policy, First Central Underwriting Limited unfairly wrote off her car, paid too little, and provided poor service.

What happened

Miss L's car was damaged in an accident on 19 June 2024. She thought it would be taken to a body shop for repair, but instead it was taken to a salvage agent.

On 27 June 2024, as First Central had decided the car was a total loss, it offered Miss L £7,500 for it. It raised the sum to £7,623 on 12 August 2024. On 23 August 2024, having seen the details showing why First Central thought the car was a total loss, Miss L didn't agree that it was fair to write it off. First Central had told her on 21 August 2024 that the cost of parts was only £2,556. Miss L said that meant in order to reach the repair ratio of 65% quoted by First Central the estimated 20 hours of labour must have amounted to £2,421. She said that far exceeded the average rate charged for repairs in the UK.

Miss L says she got no reply to the email she sent to First Central querying the issue, but it raised its settlement offer to £8,320 on 27 August 2024. In her view, First Central still hadn't taken into account all the features her car had when it was considering its value and those of other cars. She said she couldn't replace her car for the sum offered. But reluctantly, she accepted the offer on 15 September 2024. First Central also offered Miss L £250 compensation for poor service, which she refused. She said it wasn't enough, given that it had made the wrong decision about the car being a write off. In addition, First Central said it would only retain £998 of the settlement sum should Miss L choose to keep the car - although the accurate figure for the salvage was £2,556.

First Central had told Miss L on 29 August 2024 that it couldn't comment on labour rates as they couldn't be discussed outside the business. It provided two adverts to her at that point for cars with asking prices of £8,290 and £8,390. But Miss L said they didn't have some of the features in her car, such as leather seats.

When Miss L asked First Central on 27 September 2024 why the settlement hadn't yet been paid, it said she hadn't provided her bank details as requested. The settlement was issued on 2 October 2024. Later, First Central offered her a further £50 compensation for the delay. Miss L also got an apology from it, when it accepted that she hadn't spoken to its engineer in circumstances it previously said she had.

As Miss L wasn't satisfied with First Central's proposed resolution of her complaint, she contacted us. One of our Investigators reviewed the facts, gathered more information, and concluded that First Central had acted reasonably in deciding that the car was a total loss. He checked the four national valuation guides and found that - based on the details of Miss L's car and the date of loss - they set out values between £7,510 and £8,423. He thought it was fair that First Central had offered her a sum close to the top valuation. And he said £250 was fair compensation for poor communication / giving Miss L the wrong information, and for her having to chase it with queries (plus the £50 for the delay in payment).

In response, Miss L said she'd received no compensation (although First Central told us she'd refused the £250 and had returned the £50 cheque it sent to her). She queried how the car could have been written off without being inspected. And she said that based on a valuation of £8,320, the repair value ratio was 42.9%. Miss L attached images of two cars she thought were like hers, advertised at £8,995. The Investigator said the examples weren't relevant as they weren't from the time of loss. And he asked First Central for clarification. It said based on the final valuation of Miss L's car and the estimated cost of repairs at £4,978 the repair ratio was 60.5%. The Investigator advised Miss L of that and said cars are normally written off when repairs are likely to cost over 50% of a car's value.

As there was no agreement, the complaint was passed to me for review.

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.

Under the policy, First Central has the right to decide how to settle any claim made on it. We only interfere with an insurer's discretion to do that if it appears to have acted unreasonably and / or it hasn't made a fair effort to put any errors on its part right.

The total loss decision

Insurers don't have to arrange an inspection of a car in order to decide it's a total loss. Often, the description of the damage, plus the car's age and mileage, are sufficient for them to conclude that a car isn't economically repairable. That's standard industry practice, and it usually produces accurate outcomes. In this case, First Central noted the details Miss L gave when she reported the claim. Its damage assessment tool said the car was a total loss.

An engineer later reviewed images of the damage (again, in line with standard industry practice) and agreed the car should be written off, especially as he thought it likely that further damage would show when the car was stripped.

I think there was some confusion about the ratio of repairs to valuation. Miss L was looking at the cost of parts only when she concluded that the labour cost was excessive. First Central has since provided evidence to us showing the car's estimated repair cost taking into account not only the cost of parts, but also the cost of paints and materials, plus VAT. It also set out the estimated cost of labour. I can't share the figures with Miss L, as some of the information is commercially sensitive. But I can assure her the labour cost wasn't excessive.

I calculated that the repair to valuation ratio was less than that set out by First Central. But it was still well over 50% - the level at which insurers normally consider it reasonable to write off vehicles. And I've taken into account that the ratio would have risen had more damage emerged. Considering the extent of the *visible* damage to the car, I think it was reasonable for the engineer to conclude that further damage was likely to emerge when the car was stripped. We can't challenge his expertise. Miss L could have had an inspection done by an independent assessor if she doubted the accuracy of the engineer's view. She said she'd do that, but as she didn't, there's no conflicting evidence on this issue.

First Central was content to allow Miss L to keep her car with a retention figure that was well below what it should have been, due to an error on its part in advising her of the correct sum. Many consumers choose to keep their vehicles, but Miss L decided not to accept the offer,

as she thought the total loss marker would affect the car's sale value. The decision was hers to make, but I think First Central acted more than reasonably in relation to the salvage.

The valuation

If a car is written off, the insurer must offer a fair price for it to the consumer. I think First Central's final offer of £8,320 was reasonable, as it's close to the top valuation shown in the national valuation guides. We think the figures set out in the guides are the best way of establishing a car's likely market value, as they're based on extensive national research and are updated regularly.

We don't generally give much weight to adverts for cars, as they reflect asking prices that are open to negotiation, and small differences between similar cars can mean significant differences in their sales prices. Miss L thinks the features in her car add value, but often that's not the case. However, First Central's engineer found two examples of cars similar to Miss L's car and it seems it was on that basis that he raised the valuation to £8,320. Miss L said those cars didn't have leather seats and some other features her car had. But I think they are likely to have sold for less than their advertised prices.

Payment / compensation

Normally, I would have expected the correct total loss offer to have been made earlier than it was, but I think the dispute about whether the car was a write off or not and the repair ratio caused a delay. After First Central revised the figure in August 2024, Miss L didn't accept it for nearly three weeks. Later, she queried why the sum hadn't been paid almost two weeks after that. It seems Miss L may have omitted to provide her bank details (as requested by First Central) but there was also some confusion on its part about paying the sum into her account or by cheque. As the delay was partly due to both parties, I think the £50 compensation First Central offered her for this issue was reasonable.

I also think the £250 compensation it offered for poor communication, issuing the wrong advice, and forcing Miss L to chase it was reasonable.

In summary

I can see why Miss L was so frustrated with First Central. She wasn't entitled to a courtesy car once it had been decided the car was a total loss, but normally a settlement sum would have been provided within a month or so of that. I think the various disputes about the total loss decision, the repair ratio, and the valuation caused the delay, although in my opinion, First Central could have made its final offer sooner than it did. It gave her incorrect details at times and she had to deal with poor communication from it, so the claims journey was worse for her than it needed to be. But I think Miss L was offered a fair price for her car and that the compensation offer was adequate. On that basis, although I sympathise with her given the very stressful experience she had, I can't uphold Miss L's complaint.

As First Central hasn't paid the £300 compensation to Miss L, I think it should contact her to check whether she wants to accept it now. If so, it should ensure she is paid promptly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 24 September 2025.

Susan Ewins
Ombudsman

