

The complaint

Mr C complains that Highway Insurance Company Limited handled his motor insurance claim unfairly.

What happened

Mr C's car was unfortunately damaged in an incident that wasn't his fault. In the first instance, he asked the third-party insurer to settle the issue directly. Following which, they quickly accepted liability, arranged a hire car, and said his vehicle was a total loss. They also offered him a £5,229 cash settlement. Mr C didn't agree his car should be written off and he also felt the valuation offer was unfair. So, he asked Highway to consider the claim under the terms of his insurance policy.

There were unfortunately a few delays in Highway offering Mr C a settlement. In the first instance, they explored if the car could be repaired as Mr C requested but they subsequently deemed this option to be uneconomical. It also came to light that the wrong car details were stated in Mr C's insurance documents and a concern was raised about undisclosed modifications. Lastly, confirmation was required from the third-party insurer that no settlement had already been paid to Mr C.

When Highway's engineer inspected Mr C's car in person, he confirmed it was a total loss, but said a fair value was £3,300. He explained this valuation took into consideration the poor condition of the car including some significant pre-existing damage. As this amount was less than what he'd already been offered, Mr C withdrew his claim and accepted the third-party insurer's offer instead. As they allowed him to retain the salvage, he then arranged for his car to be repaired independently, for less than the amount he received.

In response to the complaint, Highway said Mr C wasn't entitled to a hire car under the terms of the policy, and there was nothing more they could do in relation to the now settled claim. However, they did pay Mr C £100 compensation to reflect an avoidable delay in the engineer contacting him to discuss his valuation and inspection.

Mr C then escalated his complaint to our service. He said Highway should have valued his car at around £10,000 – the same amount he declared when he took out the policy. So, they should now pay him the settlement shortfall. He also highlighted concerns about the way the claim was handled and repeated his belief that he should have received a hire car.

An investigator at our service then considered the complaint but didn't uphold it. He said he didn't think Highway had done anything wrong by relying on the engineer's assessment, declaring Mr C's car a total loss and taking the pre-existing damage into consideration.

The investigator also said the highest value suggested by the motor trade guides was £5,975. However, this was based on a car that was in good condition and without any pre-existing damage. He'd seen no evidence which suggested Mr C's car should have been valued at £10,000, and said Highway would have been entitled to retain the car's salvage. So, even if Highway had increased their offer, or matched the amount offered by the third-party insurer, it was unlikely Mr C would have been left in a better financial position. As the

claim had been withdrawn, he also didn't think there were any grounds for now asking Highway to do anything more.

Mr C then asked for a decision. He said he should be compensated for the lack of hire car, and if the investigator listened to the call recordings, he'd appreciate how poorly he was treated by Highway's advisers. He also thought our service should arrange for his car to be independently inspected and valued, so we could understand the problem with the offer he received.

The investigator's opinion remained the same, so I have considered the complaint afresh.

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 would firstly like to reassure Mr C and Highway that although I have only summarised the background and arguments in the section above, I have read and considered everything provided about this complaint in its entirety.

Total loss

The starting point is the agreement between Mr C and Highway - the policy terms and conditions. On page 42, these explain Highway will either repair the insured car, cash settle the cost of repairs or pay its market value minus the policy excess. The terms also explain this decision will be made at Highway's sole discretion.

Mr C feels strongly that Highway should have arranged for the incident damage to be repaired. This is especially because he's since arranged for repairs to be completed locally himself and kept the car. However, as their engineer concluded the cost of repairs would be more than the value of the car, I don't think they did anything wrong by relying on the policy terms and declaring it a total loss. I also don't think they made an error by exploring the possibility of a repair in the first instance as this was Mr C's desired outcome.

It's important to note that our service doesn't arrange independent inspections or determine a car's market value. Instead, we consider if a claim has been handled fairly. If a settlement has already been offered by an insurer, we check to see if it's supported by evidence, and the policy terms. If we don't think the offer is fair, we can then tell the insurer what steps they need to take to put things right.

Mr C has said Highway's valuation was too low. However, as he's since accepted an offer from the third-party insurer and withdrawn his claim, this means they are no longer required to provide him with a settlement. As I'm sure Mr C can appreciate, I'm also unable to ask the third-party insurer to change the deal they agreed with him. However, I have considered the way Highway reached their valuation, checked if Mr C was treated fairly and decided if a compensation award would be appropriate to reflect any avoidable distress and inconvenience this issue may have caused him.

I'm aware that when Mr C took out the policy, he estimated his car's value to be £10,000. However, as per the policy terms, Highway weren't required to rely on that estimate – instead they needed to offer him the car's market value immediately before the date of loss. Like most insurers, our service generally finds the motor trade guides persuasive when determining a fair value. This is because their valuations are based on nationwide research, and they show likely selling prices at the month of loss. The guides also allow for the specifications of most vehicles to be taken into consideration including any extras. This is

particularly helpful, as factors such as the age and mileage of a car can have a big impact.

After assessing Mr C's car, I can see Highway's engineer checked three motor trade guides to try and reach a value. Due to the age of the car, only one of them provided a result - £5,222 which he specified in his report. After reviewing some adverts, he reduced his valuation to £3,300 as he found a similar car on sale for that amount. Highway have since explained, the reason the engineer didn't use £5,975 as the base figure for his considerations was because he didn't have access to that specific trade guide.

As Highway were required to settle the claim based on the market value of Mr C's car, I don't think it was unreasonable for them to take the pre-existing damage into consideration. I can also see the engineer listed all of the damage in his report, which is significant and more than just general wear and tear. I appreciate Mr C strongly disputes the engineer's findings in relation to this, but I don't think Highway did anything wrong by relying on his professional expertise.

To help determine the impact of pre-existing damage when calculating a car's fair market value, our service generally expects insurers to follow a broad-brush approach of deducting 50% of what it would cost them to repair the pre-existing damage from their valuation. However, I can see this approach wouldn't have been appropriate here as based on the engineer's estimate, it would have left a negative overall figure. So, I don't think Highway's £3,300 valuation that was based on a physical inspection of the car, the engineer's expertise and a review of available adverts was unreasonable.

Mr C ultimately decided to withdraw his claim and accepted £5,229 from the third-party insurer directly. I'm satisfied this is likely to have left him in a favourable position, as it meant the claim settlement wasn't recorded against his insurance policy. Highway simply recorded the incident as "*notification only*" which complies with what I'd reasonably expect them to do under the circumstances. It's unclear if the third-party insurer required Mr C to pay the car's salvage value as part of the settlement they agreed with him, but I can confirm this is something Highway would have been entitled to under the terms of the policy. So, even if Highway had disregarded all the pre-existing damage and agreed to match the third party's offer, I'm satisfied that wouldn't have left Mr C in a better position than he's in now.

I can also confirm that none of the evidence I have seen, suggests Mr C's car should have reasonably been valued at the £10,000 figure he was hoping for. I have seen some adverts for cars priced at that amount, but they were all in good or excellent condition and had significantly less mileage than Mr C's car. So, everything considered, I see no grounds for directing Highway to pay Mr C compensation for this issue.

Customer service

I have listened to the calls Mr C had with Highway, and can understand why he found progressing the claim, upsetting, confusing and difficult. He wanted a settlement offer to be given to him much sooner than it was, and I understand that because of his working hours and commitments this was particularly important to him. However, an insurance claim will always cause some level of inconvenience, and as detailed above, there were a number of unavoidable stumbling blocks Highway needed to navigate and resolve, before they could progress the claim.

I'm also satisfied each of the advisers Mr C dealt with were polite and spoke to him in a professional way. There were occasions where the advisers needed to pass Mr C through to other departments, or said they were waiting for updates from a different team. I'm aware this was frustrating, but I'm satisfied each adviser genuinely tried to help Mr C move the claim forward. There was also some initial confusion about the supply of a hire car, as when

Mr C first contacted Highway, he hadn't returned the vehicle the third-party insurer had supplied, and he felt strongly that his car could be repaired. Highway explored different options to try and help him with this. However, once his car was declared a total loss, they correctly informed him there was nothing they could do under the terms of the policy.

Mr C has suggested that the advisers deliberately lied to him, and made false promises but I didn't hear any evidence of that. Highway agreed to consider the claim as Mr C was unhappy with the offer the third-party insurer gave him, but there was no guarantee they would be able to secure a better outcome. Ultimately, they were required to investigate the claim under the terms of the policy, and I'm satisfied that is what they did here.

Highway have acknowledged there was one avoidable delay in progressing the claim, as it took longer for their engineer to contact Mr C than expected. They paid him £100 compensation to reflect the upset caused by this delay, and having considered its impact and the timescales involved, I see no grounds for directing them to increase this amount.

Hire Car

On page 36 of the policy terms and conditions it explains:

If the insured car is damaged (excluding windscreen damage) and is being repaired by a Highway Insurance approved repairer, or is stolen and not recovered and the incident occurs within the territorial limits, we will arrange for a hire car to be delivered to, and collected from, your home address (as described on the schedule), for your use.

Mr C's car was declared a total loss, and Highway didn't carry out any repairs. So, I'm satisfied they didn't do anything wrong by relying on the above and declining to provide a hire car under the terms of the policy.

Finally, Mr C has raised a new concern about the price of his motor insurance, however, as that issue didn't form part of the complaint he originally raised with Highway, I haven't addressed it here. In any event, my understanding is Mr C has since changed insurer, so that concern would be better directed to his new insurance provider in the first instance.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 November 2025.

Claire Greene
Ombudsman