DRN-5646631

The complaint

Mr S has complained about the way his motor insurer, Tesco Underwriting Limited ('Tesco') dealt with a claim he made on his policy.

Tesco is the underwriter of this policy i.e., the insurer. During the claim Mr S also dealt with other businesses who act as Tesco's agents. As Tesco has accepted it is accountable for the actions of its agents, in my decision, any reference to Tesco includes the actions of the agents.

What happened

In September 2024 Mr S was involved in an accident which, he was told, rendered his car a total loss. In November 2024 Tesco wrote to him to let him know that the car was going to a salvage yard and that it was undriveable. He said at that stage his claim hadn't yet been settled and he was still the registered keeper.

In January 2025 Mr S received a letter from a local council saying the car had been parked in a loading bay illegally the previous month and that he had incurred a fine which hadn't been paid. Mr S said he didn't receive his settlement from Tesco until after the date the parking fine was given and could not understand why the car was being driven if Tesco said it wasn't driveable. He said because the fine hadn't been paid it doubled to £130.

Mr S complained about this to Tesco and said if he had known that the car was driveable so soon after the accident he may have elected to keep it.

Tesco upheld the complaint and paid Mr S £130 for the fine plus £100 compensation for the distress and inconvenience he suffered. It said it would investigate the matter internally and deal with it accordingly.

Mr S then brought his complaint to our service. He said Tesco was refusing to disclose details of its internal investigation and was unhappy the car had been driven without his consent while it was still in his name. He said he was also unhappy with the offer he received for the value of his car (£18,432) and thought it was worth more.

A few days after Mr S brought his complaint to us, he received a speeding ticket in relation to the car. The speeding offence was committed on 23 January 2025, a few weeks after the parking ticket. Mr S complained to Tesco again, regarding the speeding fine and also the fact that by paying the parking fine he was told by the local authority that he had admitted liability for parking illegally. Mr S said he was concerned that despite the vehicle no longer being in his name he was still receiving correspondence regarding various offences and was concerned about the impact this could have on his credibility and record.

While the complaint was with our service, Tesco increased its valuation to £19,383 and issued a further payment of £951 to Mr S. It confirmed that it had sold Mr S's vehicle because he had delayed responding to it regarding next steps and to prevent storage costs from escalating.

One of our investigators reviewed the complaint and didn't think Tesco had acted fairly. Our investigator thought that Tesco's new valuation offer was fair and reasonable. But she didn't think its compensation was high enough for the distress and inconvenience Mr S had suffered and thought it should pay him a further £100 to bring it to a total of £200. She didn't think further compensation was warranted as she didn't think Tesco was responsible for the new owner's actions.

Tesco didn't agree with the new compensation award. It said that it paid the parking fine as soon as it was made aware of it. And in relation to the speeding incident which happened after Mr S was confirmed to no longer be the registered keeper, it said this was a matter for the Driver and Vehicle Licensing Agency (DVLA).

Mr S also didn't agree. He said that he couldn't replace his car with the settlement offered by Tesco. He said he had to purchase an older vehicle which cost more. He added that he had been reluctant to accept the total loss offer and had wanted to get advice on retaining the salvage and repairing the car.

Our investigator didn't change her view but acknowledged that Tesco may have sold the vehicle before the transfer of ownership in December 2024 which resulted in Mr S receiving the parking fine. But she also said that Tesco had been waiting for Mr S to get back to it to confirm what he wanted to do with the car but he didn't for several weeks.

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.

<u>The sale and transfer of ownership</u>

Tesco informed Mr S that the car was uneconomical to repair on 10 October 2024 and offered him £17,799 a few days later. It spoke to Mr S on 15 October 2024 as Mr S wasn't happy with the offer and said he wanted £21,000. Mr S said he would provide his own adverts in support.

Tesco spoke to Mr S on 23 October 2024 and Mr S said he wasn't sure whether to accept the total loss offer or whether to keep the salvage and try to repair the car himself. During the call the Tesco adviser he had spoken to agreed to provide Mr S with a copy of the engineer's report (without any costings) so that he could see what parts were required to repair the car and get his own estimate. Mr S said he'd get back to Tesco with his decision.

From what I have seen Tesco chased Mr S regarding its offer several times in October and in early November 2024 it informed him that the car was being collected by a salvage agent. On 28 November Tesco wrote to Mr S informing him that the vehicle had been moved to a salvage compound. It wrote to Mr S again on 8 December 2024 and said if it didn't hear back by 14 December 2024, it would assume that he didn't want to continue and would close the claim down. I thought this was fair and reasonable as Tesco couldn't keep the file open indefinitely especially as it was incurring storage fees in the meantime.

Mr S accepted the total loss offer on 13 December 2024 and said he had purchased a replacement vehicle. Tesco informed the DVLA that Mr S was no longer the registered keeper on the same day. It paid the proposed settlement of £17,882, after deducting the £550 excess, to Mr S a few days later. I think Tesco acted promptly here and its actions were fair and reasonable.

Nevertheless, from what I have seen, it seems the salvage agent sold the car before Tesco settled the matter with Mr S. And I say this because the parking offence Mr S received a fine for was committed a week before the transfer of ownership on 13 December 2024. I don't think this was fair and reasonable and Tesco should have made Mr S aware before selling his car especially as he was still considering keeping the salvage. Nevertheless, as Mr S didn't decide to retain the salvage I don't think this is something he would have been aware of and therefore distressed about at the time. I have also borne in mind that Tesco had been chasing for an update for some time before it proceeded with the sale.

I appreciate that it was still inconvenient for Mr S, as well as stressful, having to deal with a fine he was not responsible for. Mr S said he also reported the matter to the Police as the car was being driven without his authority as the registered keeper. Tesco has paid Mr S £100 compensation but, in the circumstances, I agree with our investigator that this should be increased to £200. This is more in line with awards we would make in similar circumstances.

Mr S later received a speeding fine, but this took place after the transfer of ownership. It is therefore unclear why the ticket was sent to him and not to the new owner. But I agree with Tesco that this was something that was out of its control bearing in mind it did what it had to do in informing the DVLA that Mr S was no longer the registered keeper as of 13 December 2024. So, I don't think Tesco needs to do anything further in the circumstances.

<u>The valuation</u>

Mr S's policy includes cover in the event his car is damaged in an accident. Under the policy the most Tesco will pay is the market value of the car.

The policy defines the market value as:
"*The cost of replacing… the car with one of the same or similar make, model and specification, taking into account the age, mileage and condition to determine the market value. We usually ask an engineer for advice and refer to motor trade guides and other relevant sources. We consider the amount you could reasonably have obtained if you sold the car immediately before the accident, loss or theft and not the price you paid for it.*"

Our service has an approach to valuation cases like Mr S'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 research of sales prices.

Tesco used two guides which produced values of £17,710 and £17,150 respectively. I've also reviewed the four valuations our investigator obtained, and the guides returned values of £17,444, £17,710, £16,950 and £18,101. The valuations obtained by both parties are broadly in line with one another and I am satisfied they are for Mr S's car. And I think they are fairly close to each other, and I therefore didn't consider any to be an outlier.

Tesco valued Mr S's car at £19,383 which is higher than any of the valuations produced by the guides.

Mr S has provided a number of adverts which I have considered but didn't find as persuasive as the guides as most of the cars had lower mileage than Mr S's. These included an advert for £20,995 for a car with around half the mileage as Mr S's; around 33,000; and £26,049 for a car with around 24,000 miles. One of the adverts was for a car with similar mileage to Mr S's which was being advertised for £18,995.

Tesco also provided its own advert which was for a car with almost identical mileage as Mr S's which was advertised for £17,799. Mr S said he believed this was a low price to encourage a quick sale. Tesco said it had also found two other adverts with cars which had slightly lower mileage and were advertised for £19,750 and £20,599 respectively.

As I said above, under the policy Tesco will pay the market value of the car immediately before the incident based on a car of similar specification, age etc. And though we may sometimes consult adverts, we don't often find them as persuasive as the guides. And this is because the price a car is listed for is more often than not, not the price it sells for which is often negotiated down. Also, advertised prices can vary substantially between cars with similar mileage no doubt depending on their condition which isn't always evident from the advert.

Looking at the valuations produced by the guides I am satisfied that Tesco's increased offer of £19,383 is fair and reasonable bearing in mind it is higher than any of the guides and even some of the adverts. So, I have decided not to ask it to increase its offer.

My final decision

For the reasons above, I have decided to uphold this complaint. Tesco Underwriting Limited must pay Mr S a further £100 (£200 in total) compensation for the distress and inconvenience it caused him. It must also settle Mr S's total loss claim based on a £19,383 vehicle valuation; something it says it has already done. But if there are any payments outstanding it must pay them now.

Tesco Underwriting Limited must pay the £100 compensation within 28 days of the date on which we tell it Mr S accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Tesco Underwriting Limited considers that it’s required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it’s taken off. It should also give Mr S 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 S to accept or reject my decision before 26 August 2025.

Anastasia Serdari
Ombudsman