

The complaint

Mr D complains about how his insurer, esure Insurance Company Limited (esure) handled a claim under his motor insurance policy following an accident in which his vehicle was damaged and subsequently declared a total loss by esure.

Any reference to esure in this decision includes their agents.

What happened

In September 2024 Mr D's vehicle has involved in an accident, involving a collision with a deer, sustaining damage. He contacted esure to tell them about the damage. esure arranged for recovery of the vehicle, but this took some time to arrange through their recovery agents on the date of the accident. The vehicle was recovered to esure's salvage agents (C). The vehicle was inspected by one of C's engineer's, who estimated the cost of repair compared to the value of the vehicle meant it should be deemed a total loss. C offered settlement of the claim as a total loss based on a valuation of £7,500 less the policy excess of £500, leaving a net settlement of £7,000 (at the beginning of October 2024).

Separately, Mr D was advised by an esure agent that his No Claims Discount (NCD) would be affected by the claim, although the policy terms stated a claim involving a domestic or wild animal wouldn't affect a policyholder's NCD.

Mr D was also unhappy at the decision to deem his vehicle a total loss, as well as the valuation placed on his vehicle. He was also unhappy at what he considered poor communication from esure and instances where his emails were blocked. And he wasn't told his vehicle was to be disposed of, meaning he didn't have the opportunity to recover personal effects from the vehicle. Nor had he received the total loss settlement. So, he complained to esure.

esure upheld the complaint in part. In their final response, issued in November 2024, they said the policy gave them the discretion over whether to declare a vehicle to be a total loss. In this case, this was based on C's assessment the vehicle was uneconomical to repair, as reviewed by their in-house engineer. But esure accepted the recovery of the vehicle after the accident wasn't straightforward and that Mr D was given incorrect information about whether the claim would affect his NCD. esure also apologised for incorrectly saying Mr D's complaint had been resolved when it wasn't the case. In recognition of the issues, esure awarded £200 compensation.

Mr D wasn't happy with esure's final response, so he complained to this Service. He was unhappy at the decision to deem his vehicle a total loss and the subsequent valuation of his vehicle, saying it was less than it would cost him to obtain a vehicle of similar age, mileage, provenance and quality. His vehicle had been disposed of without his knowledge, and he wasn't provided with the opportunity to remove personal effects from the vehicle. While esure had offered £150 for the personal effects (the policy maximum) the items would cost two to three times that figure to replace. He was also unhappy at how long it took esure to process and settle his claim and poor communication from esure, including the blocking of many of his emails. They'd also provided incorrect information about the impact of the claim

on his NCD and that they'd resolved his complaint (when they hadn't). While esure had paid £200 compensation, he didn't think this was sufficient for the time, cost and stress from the experience. Including having to make alternative travel arrangements.

After Mr D made his complaint to this Service, esure made an offer to resolve the complaint, offering a further £250 compensation in addition to the £200 they'd already awarded.

Our investigator didn't uphold the complaint, concluding esure's further offer was fair. Having seen the report assessing the damage to Mr D's vehicle, she concluded esure acted fairly in concluding the vehicle was uneconomical to repair and deemed a total loss. Having reached this conclusion, she looked at esure's valuation of the vehicle as a total loss. Their offer of £7,500 was higher than the values from recognised industry valuation guides, so she concluded esure's offer was reasonable. She wasn't persuaded the evidence from Mr D showed the valuation should be higher, as the evidence came from a private bidding platform. Other advertisements were for vehicles of a different age and mileage compared to Mr D's vehicle.

On the limit of £150 for personal effects left in the vehicle, the investigator noted this was the maximum value for personal effects set out in the policy, so it was reasonable for esure to apply this limit. But esure should have offered Mr D the opportunity to collect his belongings from the vehicle before it was sold for salvage. On the service provided to Mr D, she thought there were times when esure could have communicated better. But considering these and other issues, she thought esure's offer of an additional £250 compensation, making a total of £450 was fair and reasonable and in line with the published guidelines from this Service.

Mr D disagreed with the investigator's view and asked that an Ombudsman review the complaint. He didn't think the £450 compensation offered by esure was sufficient given the financial burden placed on him as a result of esure's poor service, which exceeded £450. He also disagreed with the decision to deem his vehicle a total loss, saying the salvage agent wasn't independent from esure. Nor did he accept the evidence of the valuation of his vehicle was too low wasn't persuasive. And it was unreasonable to apply the policy limit of £150 for personal items, given the value of his items significantly exceeded this figure (and he hadn't been given the opportunity to retrieve the items).

Your text here

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 esure has acted fairly towards Mr D.

There are several key issues in Mr D's complaint, but from what I've seen and his response to our investigator's view, the main issues are the decision to deem his vehicle a total loss and, following on from that, the valuation esure placed on his vehicle. There's also the issue of the £150 limit on his personal possessions (given he wasn't afforded the opportunity to retrieve them before the vehicle was disposed of). There's also the overall handling of the claim, including esure's communication with Mr D and whether the level of compensation now offered by esure is appropriate in the circumstances of the case.

Starting with the decision to deem Mr D's vehicle a total loss, the policy provides for esure to decide how to cover loss or damage to the vehicle, including from an accident. *Section 04 Loss or damage to your car* states the following:

We will

- ✓ *Pay to get it fixed, or*
- ✓ *Replace what's been lost or damaged, or*
- ✓ *Pay for what's been lost or damaged*

We'll decide which of these methods will be used to settle your claim."

The latter of the three options would include the option to declare the vehicle uneconomical to repair and therefore a total loss. Under a heading *How we'll settle your claim for loss or damage* in the same section, it states:

"If we decide your car's a total loss

- *We'll pay the legal owner no more than the car's market value. If you got the car via a lease, contract hire or contract purchase agreement; we'll pay the outstanding finance, up to the car's market value, to the legal owner."*

esure's decision to deem the vehicle a total loss was based on an inspection by an engineer from the salvage agent (C). Looking at the report, it includes a detailed assessment of the repairs needed, including parts, labour, paint and other costs. The total estimated repair cost is £4,579.84. This compares to the engineer's estimate of the vehicle value (based on the average of two recognised industry guides) of £7,155. The former is 64% of the latter. Insurers tend to take decisions on whether to deem a vehicle a total loss once the estimated repair costs exceed a certain percentage of the vehicle's value – 60% is a typical benchmark. In this case, the figure is 64%. Even applying the same estimate to the actual, higher valuation figure included in esure's subsequent settlement offer (£7,500) the proportion is 61.1%. I've also noted C's report noted the estimated repair cost is based on the visual damage to panels and other external parts of the vehicle – it doesn't include any provision for repair of non-visible parts of the vehicle, which might become necessary on a more detailed stripping down of the vehicle.

Given the provisions of the policy for esure to determine how to settle a claim, including declaring a vehicle to be a total loss, and the engineer's report about the likely estimated repair cost, then I've concluded esure acted reasonably in deeming the vehicle to be a total loss. Mr D says C isn't independent, but they are a qualified engineer and based their repair estimate on a physical inspection of the vehicle. And their conclusions were reviewed by esure's in-house engineer, so I can't conclude esure's decision was unfair or unreasonable.

Having deemed the vehicle a total loss, then the next issue is the valuation of the vehicle as a basis for a total loss settlement. C's report also included valuations for Mr D's vehicle, using three recognised industry valuation guides (retail transacted valuations) of £6,034; £7,010 and £7,299. The report records an engineer's suggested valuation of £7,155 based on the average of the two higher valuations. However, the settlement offer made by C uses a valuation of £7,500 (before deduction of the policy excess of £500). I've noted C's report also includes examples of vehicles advertised for sale ('market research') producing an engineer's suggested value of £7,448. This is close to the £7,500 valuation offered by esure. 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 C's report) The relevant figures are:

- (A) £5,995 (Retail Transacted)
- (B) £7,010 (Retail Transacted)
- (C) £6,953 (Retail Valuation)
- (D) £7,007 (Intelligence Retail)

I've also noted the valuation figure for (D) also includes examples of similar vehicles advertised for sale. There are 12 examples, ranging from £3,699 (92,000 miles) to £7,750 (33,000 miles). After the highest value example, the next highest is £6,295 (66,000 miles). All of the valuation guide figures are less than esure's valuation of £7,500.

Our 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. In this case, esure have used a valuation higher than all the valuation guides.

Mr D provided examples of vehicles advertised for sale at higher values, but I'm not persuaded they should outweigh the values from all four valuation guides (and the example vehicles in one of the guides). So, I've concluded esure acted fairly in using a valuation of £7,500 as the basis for their total loss settlement. And as that figure was included in C's offer made at the beginning of October 2024, just under a month after the accident, I don't think that's completely unreasonable, even if it's a longer period than esure would normally aim to make a total loss settlement.

Turning to the other aspects of the complaint, on the settlement for personal effects, the policy limit is clearly set out at £150, so in offering that for Mr D's personal effects, esure acted within the terms of the policy. I've also noted esure have said C told them there weren't any personal belongings in the vehicle when it arrived with them and the recovery agent say they didn't remove any personal belongings from the vehicle. I'm not able to confirm the veracity of either statement, but I do recognise Mr D didn't have the opportunity to remove any personal effects, which he says were worth significantly more than £150, so there is an element of distress and inconvenience from not having that opportunity. I'll consider this when looking at what I think would be reasonable compensation for the other issues in the complaint.

I've also noted esure accept they provided incorrect information about the impact of the claim on Mr D's NCD (the policy provides for no impact where an accident is due to collision with a wild animal) and incorrectly saying his complaint had been resolved when it hadn't been. And there were examples of emails sent by Mr D being blocked and more general communication shortcomings from esure. And delays in making the total loss settlement from the time it was first offered. All of which would have added to the stress felt by Mr D over the handling of his claim.

Taking all these points together, I've concluded there were significant shortcomings in aspects of esure's handling of the claim, which would have caused distress and inconvenience to Mr D.

Having reached this conclusion, I've then considered what would be fair and reasonable compensation for the distress and inconvenience suffered by Mr D. 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 esure's shortcomings caused Mr D considerable distress, worry and upset and significant inconvenience that needed a lot of effort to sort out, over a period of many weeks.

Having considered these factors, I've concluded esure's revised offer of a further £250 compensation (making a total of £450) is fair and reasonable. As esure offered the additional £250 when providing their business file in response to Mr D's complaint to this Service, then they should now make payment of the additional £250 to Mr D (assuming they haven't already done so). As the additional £250 was offered only after Mr D complained to this Service, this means I'm upholding Mr D's complaint.

My final decision

For the reasons set out above, my final decision is that I uphold Mr D's complaint. I require esure Insurance Limited to:

- Pay the additional £250 compensation for distress and inconvenience they've offered (assuming they haven't already paid it, but have paid the original £200 they awarded).

esure Insurance Limited must pay the additional compensation within 28 days of the date we tell them Mr D accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 August 2025.

Paul King
Ombudsman