

## **The complaint**

Miss A complains about the salvage category applied to her car and the amount Advantage Insurance Company Limited (Advantage) has charged for retention of her car following a total loss claim she made on her car insurance policy. Reference to Advantage includes its agents.

## **What happened**

Following an incident involving her car in February 2025, Miss A made a claim under her policy. Advantage asked her to provide photos of the damage to her car so its engineers could assess it. The engineers determined Miss A's car was a total loss, that is, uneconomical to repair and offered her £5,172. They then placed a category S on the car.

In March 2025, Miss A complained to Advantage about the category on her car and said she was told by its advisers it would be category N. She said its engineers based their decision on photos without physically inspecting the car. She also disputed the salvage retention fee of £1,355 she'd received.

In its response to the complaint, Advantage said the category wouldn't change and that it didn't misadvise her on it. Unhappy with its response, Miss A referred her complaint to our Service for an impartial and independent review.

Advantage didn't address Miss A's concern about the retention fee in its final response but it contacted our Service to provide its stance on it. It also offered £100 compensation for not managing Miss A's expectations about the salvage category. Miss A rejected this offer.

Our Investigator then looked into this complaint and concluded Advantage's compensation offer was fair and didn't think it should do anymore. Miss A disagreed with the Investigator's opinion. Miss A says she was asked to accept Advantage's valuation of her car without knowing the salvage retention fee so she couldn't make an informed decision.

Miss A maintained Advantage should change the category to N, review the retention fee and compensate her for the distress and inconvenience it caused her during the claim. She asked for an ombudsman to review the matter, so this complaint has come 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.

Firstly, I'm aware I've set out the background to this complaint in far less detail than the parties have presented it. I'm not going to respond to every single point made by all the parties involved. No discourtesy is intended by this. Instead, I've focused on what I find are the key issues here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. I assure the parties, however, that I have read and considered everything they've provided.

I've taken into account the law, regulations and good practice. Above all, I've considered what's fair and reasonable. The relevant rules and industry guidance say Advantage has a responsibility to handle claims promptly and fairly and must act to deliver good outcomes for retail consumers.

Miss A hasn't disputed the decision to declare her car a total loss or the valuation placed on the car by Advantage. So, the issues that remain for me to decide are whether the categorisation of her car, retention figure and compensation offered were fair and reasonable.

### The salvage categorisation

There is an industry recognised code of practice which gives criteria for different salvage categories to be applied to a car when it's a total loss. This decision is normally made by engineers and based on their experience and expertise. The categorisation of salvage is a matter of professional opinion. So, it's not usually something we'd ask a business to change unless there was compelling evidence to explain why it should be.

In this case, Advantage's engineers said Miss A's car was a category S total loss. That means Advantage decided Miss A's car had structural damage which was repairable, but it decided not to repair it.

I've looked at the engineer's report and it confirms there was impact damage to the sill which is structural under the salvage code of practice. So, I don't think Advantage was acting unfairly or unreasonably in relying on this evidence.

I appreciate Miss A disagrees with the code applied because there was no physical inspection of the car. However, we don't think it's always necessary for a physical inspection to take place and the engineers can rely on other evidence. Also, we'd expect the engineer to say if they believe a physical inspection is necessary and in this case they didn't.

Based on the above and the fact that there was no conflicting expert evidence to dispute Advantage's engineer's assessment, I think it was fair and reasonable for Advantage to rely on its expert evidence in relation to the salvage category. So, I'm not going to direct Advantage to do anything different here.

### The salvage retention figure

It is a general principle of insurance that when a claim is paid, the ownership of the salvage passes to the insurer. In some circumstances we might think it's fair for the consumer to retain the salvage if they reimburse the insurer for what it would have received for the salvage.

Miss A's policy terms with Advantage state the following:

*'As soon as a total loss settlement is agreed and paid by your insurer, your insurer will thereby take possession and ownership of your car (where it is entitled to do so) and any salvage shall become your insurer's property.'*

Advantage paid Miss A the market value of her car, so the damaged car became its property. And Advantage would sell it through its salvage agent. In line with what we'd expect when a consumer decides to keep a car, we would've expected Advantage to charge Miss A a salvage fee equivalent to what its salvage agent would've paid.

I appreciate Miss A disagrees with the retention fee being deducted from the total loss settlement. She says the quotes she received from different scrap sites detailing the scrap

cost of her car were a lot less than the retention fee Advantage has asked her to pay. But I think it's important to note that there's a difference between the value offered for scrapping a car and an insurer applying a deduction for salvage retention.

When assessing complaints about whether the salvage deduction being applied by an insurer is fair, we'd consider the percentage deduction against the total loss settlement. Advantage has provided us with confidential evidence showing it would've received £1,355 for Miss A's car as a salvage value. Having considered our approach to complaints of this type, a 26% deduction for a category S total loss worth £5,172 is reasonable and in line with what we'd expect.

I don't think it would be fair on Advantage to lose out on the salvage amount as a result of Miss A retaining the car. So, I think it's fair for Advantage to charge Miss A the same amount it would've received from its salvage agent. It follows that I don't require Advantage to do anything differently here.

#### Customer service

I appreciate Miss A's frustration about Advantage not giving a figure for the salvage before she accepted the claim settlement. This meant that a salvage amount wasn't deducted from her settlement amount when it was communicated to her over the phone. Miss A says not having the retention figure prevented her from making an informed decision. But I don't think that's the case here. I say this because I've listened to the call she had with Advantage on 19 March 2025 in which she accepted its valuation.

During the call, Miss A asked if Advantage had any idea what the retention figure would be. The adviser said he couldn't give a figure but explained it's calculated as a percentage of the valuation. He said once she'd agreed a valuation, their salvage agent would let her know how much the fee would be.

So, I'm satisfied Advantage made Miss A aware there would be a cost to her in retaining the car. And this cost would be calculated based on a percentage of the valuation she'd accepted. I haven't seen any evidence to suggest that the cost of retaining the car would be based on the scrap values of independent car salvage sites, which is the basis under which Miss A says she decided to retain the car.

Around a week after Miss A accepted the valuation, she received a letter confirming the retention fee of £1,355. The letter went on to say under '*If you now do not want to keep the vehicle*':

*"However, if you have changed your mind and do not want to keep the vehicle, please could you let us know. If we have the vehicle onsite, we will arrange for this to be disposed of within 5 business days. If the vehicle is not in our possession, we will make the necessary arrangements to collect the vehicle for disposal".*

I'm satisfied Miss A was given the opportunity to return the car if she no longer wished to keep it upon finding out the retention fee and she chose not to do so. Taking into account everything that's happened, I think the £100 offered by Advantage is enough to fairly compensate Miss A for the impact its poor communication caused. So, I won't be asking Advantage to increase its compensation offer.

Advantage accepts its advisers should've been clearer with Miss A that only its engineers can confirm the final category. Having listened to the calls Miss A had with its advisers, I agree that it could've managed her expectations better. And so, I think it's fair that Advantage has offered to pay compensation for its poor claim handling.

**Putting things right**

I'm satisfied that Advantage should pay Miss A £100 compensation for distress and inconvenience for the reasons explained. It is for Miss A to decide if she wants to accept this.

**My final decision**

My decision is that Advantage Insurance Company Limited should pay £100 compensation for distress and inconvenience to Miss A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 13 November 2025.

Linda Tare  
**Ombudsman**