DRN-5738502

The complaint

Miss S complained about U K Insurance Limited's ("UKI") handling of a claim, its decision to categorise her car as a total loss, and the settlement payment she received, under her motor insurance policy.

What happened

Miss S was involved in a car accident. She said she contacted UKI to inform it of the incident but didn't make a claim. She said UKI then informed her that her car was a total loss. She didn't think it could be as there was no damage to her vehicle. Miss S wasn't satisfied with the settlement payment she received. She said this wasn't enough to replace her car and so she complained.

UKI sent Miss S two complaint responses. The first from January 2025 told her it was clear from her first contact that she was making a claim. It maintained that its settlement offer was fair based on the market value of Miss S's car. But it offered Miss S £250 compensation due to some call handling issues.

The second response from UKI in February 2025 reiterated that Miss S had made a claim as opposed to notifying it of an incident. It said the reason her car was written off was because it was uneconomical to repair. It said its age was a consideration in this decision as the car was around 20 years old.

Miss S didn't think UKI had treated her fairly and referred the matter to our service. UKI then made a further offer to pay an increased settlement of £1,510 compared to its previous offer of £1,159. This meant a further payment of £351 plus 8% simple interest added from the original settlement date. In addition, UKI offered a further £100 compensation.

Miss S didn't accept UKI's offer. So, one of our investigators looked into the matter for her. He upheld her complaint. He was satisfied that Miss S had made a claim as she'd sent photos of the damage and allowed her car to be collected. He thought the higher valuation was fair as this was in line with highest of the trade guide valuations. But he said UKI should have told Miss S that her car could have been returned to her. He said it needed an MOT before returning to the road. But this wasn't made clear to Miss S. This meant she bought a new car at an additional cost. Because it didn't make the situation clear to Miss S, our investigator said UKI should pay her £500 compensation.

Miss S didn't accept our investigator's findings. She said she wanted an ombudsman to review her complaint.

It has been passed to me to decide.

I issued a provisional decision in July 2025 explaining that I was intending to partially uphold Miss S's complaint. Here's what I said:

provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I'm upholding this complaint in part. Let me explain.

Miss S's policy pays the market value in the event of a total loss due to accident damage. This is defined as:

"The cost of replacing your car with another of the same make and model, and of a similar age, mileage, and condition at the time of the accident or loss."

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

I've looked at the trade guide valuations UKI obtained prior to making Miss S an offer. I can see that it used the correct make, model, and year for her car. It also used the correct loss date and mileage. It then took an average of three valuations it obtained to arrive at its offer for £1,159. However, the highest of the trade guide valuations it obtained was £1,510, which is what it eventually offered when Miss S referred the matter to our service.

Our investigator obtained valuations from the same trade guides UKI used. He tried one further guide. But this didn't return a value due to the age of Miss S's car. Again, I checked that the information our investigator used for the car and date of loss was correct, which it was. The highest of the valuations came to £1,495.

In these circumstances where there is a variance in the trade guide valuations the approach we take is to use the highest value as the starting point. We think this gives the customer the best chance of being able to replace their vehicle with one that is comparable. But as stated, if either party can provide evidence to show that this isn't a fair value for the vehicle, we will take this into account.

Miss S hasn't provided evidence to demonstrate her car was worth more than the highest of the trade guide valuations. The trade guides can sometimes return slightly different figures dependent on when the date the valuation is run. I think this reasonably accounts for the difference in the highest valuation we obtained and that obtained by UKI. So, I think its offer to pay £1,510 (less the policy excess) was fair. It should pay this amount to Miss S and include 8% simple interest on the difference from the date the first offer was made.

Miss S hasn't complained about call handling issues in her complaint. So, I haven't considered this here. Although I note UKI offered £250 compensation for this in its first complaint response.

In its submission to our service UKI said it would pay Miss S £100 to compensate her because its initial settlement payment was too low. I think this was fair. UKI hasn't provided evidence to show £1,159 was a reasonable valuation. So, for the inconvenience this delayed payment caused I think £100 compensation is reasonable

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I've thought about what Miss S said in her complaint about not making a claim. I've listened to the call when she reported the incident. I think it's clear that she did make a claim. The

agent explained the process and went through the details of the claim over a call that lasted just under 50 minutes. Details of the repairing garage were discussed. As our investigator pointed out, Miss S had also provided photos to evidence the damage and allowed UKI to collect her car for repairs. So, although I've considered this point, I think it's clear that Miss S had made a claim.

I've also thought about Miss S's comments that it wasn't fair to categorise her car as a total loss. Also, what she's said about not wanting to buy a new car, which came at a considerable cost.

I've read the engineer's report UKI provided. This was based on a review of the photos Miss S had sent. The engineer reported that the car was unroadworthy. Although it's not explained why. The report said a new MOT will be required before insurance cover can be reinstated. But again, I can't see that the reason for this is explained. The claim records refer to light damage to the driver's side and the driver's side wing mirror of Miss S's car. But from the photos this damage isn't clearly observable.

There are records that show Miss S did raise concerns about the total loss decision as there was minimal damage to her car. I can see it was explained to her that this was because of the cost of the repairs in relation to the value of her car. But the records don't show if UKI explained to Miss S that she could retain her vehicle if she wanted to. It's incumbent on UKI to provide the appropriate detail when communicating with its customers. The indication from the claim records is that she could have arranged an MOT and continued driving her car.

To understand what was communicated to Miss S around this point, I asked UKI to provide the call recordings when its engineer discussed the settlement offer. It responded with two recordings. In the first call the engineer couldn't access the inspection report. So, he agreed to call back later when he had sight of this information.

The second call took place a few days later and lasted just over 20 minutes. The engineer discussed the valuation with Miss S. He asked if she would like to keep the car. She said no she didn't. Later in the call the engineer asked Miss S if she was intending to keep the salvage. Miss S didn't confirm that she would be. The damage to the car was discussed. The engineer said the inspecting engineer had deemed the car unroadworthy as there had been an impact to the rear wheel. He said this could have resulted in suspension damage. The engineer said the car should be MOT'd before it was returned to the road.

Having listened carefully to these calls it's clear that Miss S was initially confused about why her car had been categorised as a total loss. But UKI's engineer did explain this and confirmed what the repairs would cost. I think this was communicated clearly. The engineer also asked Miss S if she wanted to keep the car. He did this more than once. He explained it would need to be MOT'd before it could be driven. But from the responses Miss S gave she didn't want to retain the car.

If this information hadn't been made clear to Miss S, I'd likely agree with our investigator that UKI treated her unfairly and it should pay her compensation. But having listened to the calls I don't think this wasn't the case. I think it's fair that UKI pays the higher settlement amount plus interest, as well as £100 compensation for the inconvenience caused. But I don't think further compensation is warranted. So, although I'm sorry to disappoint her, I'm satisfied that Miss S was made aware that she could have kept her car, so I can't reasonably ask UKI to pay further compensation.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

UKI responded to say that it accepted my provisional decision.

Miss S didn’t respond with any further comments or evidence for me to consider.

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.

As neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint in part. U K Insurance Limited should (if it hasn’t already):

- pay Miss S an additional £351 plus 8% simple interest on this amount from the date of the original settlement offer until payment is made in full; and

- pay Miss S £100 compensation for the inconvenience it caused her.

*If UKI considers that it’s required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss S how much it’s taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss S to accept or reject my decision before 4 September 2025.

Mike Waldron
Ombudsman