

The complaint

Mrs O complains about how One Insurance Limited handled a claim made on her motor insurance policy. She wants compensation for her losses.

What happened

Mrs O's car was damaged in an incident and One Insurance recovered it. Mrs O told One Insurance that she wanted to recover personal items left in the car. But One Insurance disposed of the car before Mrs O had opportunity to do this and before Mrs O accepted its total loss settlement.

Mrs O was unhappy with the loss of her personal items, that her car had been disposed of without her consent, with One Insurance's communication and that an engineer hadn't inspected her car. She thought this meant she was unable to establish that recent repairs hadn't caused the accident. One Insurance offered Mrs O £150 compensation for disposing of her car prematurely and giving her incorrect information. It agreed to consider a list of the lost possessions.

Our Investigator recommended that the complaint should be upheld. She thought One Insurance had authorised the car for sale before paying Mrs O its full market value. And she thought the car still belonged to Mrs O at this point. She thought One Insurance had deprived Mrs O of the opportunity to have an independent engineer inspect the car to check the salvage category and the recent repairs. But she didn't think this would have led to a non-fault claim with full recovery of the costs. And she thought One Insurance had caused Mrs O frustration by not logging her complaint efficiently.

She thought One Insurance should increase its compensation offer to £450 and also refund Mrs O the cost of the lost possessions as established by a list and photographs. But she thought petrol and the cost of recent repairs shouldn't be refunded.

Mrs O asked for an Ombudsman's review, so her complaint has come to me for a final decision. She said there were unresolved issues:

"...unlawful disposal, misapplication of the ABI Salvage Code, destruction of evidence (loss of chance), prejudice to my No-Claims Discount, and retention of excess and premium..."

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 can understand that Mrs O felt frustrated that her car was disposed of without her consent, and after she'd told One Insurance that she wanted to recover her possessions and retain the car's salvage.

Mrs O thought One Insurance had acted unlawfully. But whilst I'm minded of the relevant laws and industry codes of practice, we're an informal dispute resolution service. Our approach in cases like this is to consider whether the insurer's acted in line with the terms

and conditions of the policy and fairly and reasonably. Also it's not our role to punish businesses for mistakes they may have made.

One Insurance paid Mrs O the car's market value as it said the car was a total loss. It based this decision on a desk-top assessment of the car's market value compared to the likely repair costs, which made the car uneconomical to repair. I think this is standard industry practice and an engineer's inspection of the car isn't always necessary to decide whether it's likely to be repairable.

One Insurance said this assessment led to the car being classified as a Category B total loss and it told Mrs O that this was due to car's market value and the uneconomical repairs. The relevant code gives Category B as:

"This vehicle has been inspected by an appropriately qualified person and declared unsuitable or beyond repair".

Mrs O thought her car had just cosmetic damage. But I don't think this is supported by the photographs of the damage to the car and their accompanying descriptions. This includes the bonnet being pushed up and a wheel dislodged. In any case, structural damage isn't required for Category B total losses.

An engineer didn't inspect the car and so no engineer's report is available. But I can see from One Insurance's file that an engineer assessed the value of the car. And I don't think desktop inspections and assessments are unusual. So I can't say it was wrong for One Insurance to decide that the car was a Category B total loss.

Our approach is that when a vehicle is "written off" and deemed a total loss under a motor insurance policy, as Mrs O's car was, the insurer, in this case One Insurance, becomes the owner of the salvage only after the consumer accepts payment of the car's full market value. This didn't happen in Mrs O's case as the car was scrapped before she accepted the full market value offer. This meant the One Insurance disposed of the car prematurely.

Our stance is that where the consumer asks to keep the salvage, we expect the insurer to allow this. The car is, after all, the consumer's property and they should have the right to keep it if they wish to do so. Mrs O had told One Insurance that she wanted to retain the salvage, but it hadn't allowed this.

One Insurance said that it couldn't return the car to Mrs O as it was a Category B total loss, to be broken up. But we think that the duty to dispose of salvage in this case applies to the owner. So if the consumer retains the salvage, it's then up to them to dispose of it if this is required. Where a consumer wants to retain salvage for a Category B write-off, we look to see whether it's likely they'd be able to break the vehicle for parts and dispose of it appropriately.

If we think the consumer had the means to break and dispose of the vehicle, the insurer may need to compensate the consumer for the cost of the parts or the loss of opportunity to sell the parts. The cost to the consumer of keeping the salvage would then need to be factored into any loss.

But I haven't seen evidence that Mrs O was likely to be able to break the vehicle for parts and dispose of it appropriately. So I can't say that One Insurance caused Mrs O a loss of opportunity to sell the parts and so I don't think it needs to compensate Mrs O for this.

However, Mrs O thought the accident may have been caused by faulty repairs to the brakes. But One Insurance disposed of the car before Mrs O had an opportunity to instruct an independent engineer to assess the car to check the brakes and confirm the salvage category.

When an insurer makes an error, as I'm satisfied One Insurance has done here, we expect it to restore the consumer's position as far as it's possible to do so, and we expect it to compensate the consumer for the impact of the error.

The car was broken up for parts, so it can't now be returned to Mrs O. But Mrs O was deprived of the opportunity to have the car independently inspected. This assessment may have found that the repairs were faulty, as Mrs O suspects. And Mrs O thought that this would mean that she could challenge the liability decision made by One Insurance to hold her at fault for the accident, with an impact on her NCD, policy excess and future premiums.

I can understand that Mrs O feels strongly about this. But in order for a claim to be recorded as non-fault the insurer would have to recover all of its outlay from another party. And I think this would have been difficult in Mrs O's particular circumstances as a causal link between the repairs and the accident would have to be established, ruling out other factors such as maintaining a safe stopping distance between the cars.

So I can't say that an inspection, if it had found faults with the repairs, would have definitely changed the claim outcome. And so I don't require One Insurance to change how this is recorded. But Mrs O was deprived of the opportunity of this inspection, and I think this caused her avoidable frustration.

The premature disposal of the car also meant that Mrs O couldn't recover her personal possessions from it. She had alerted One Insurance that she wanted these. And I can see that they were photographed by the recovery agent, but they weren't preserved.

One Insurance has offered to consider Mrs O's losses here. I can see that Mrs O has already prepared a list of the items lost and so I think One Insurance should now cover the cost of the replacement of her personal possessions. And I think it should do so without regard to any policy limits for the loss of personal possessions as its actions caused the loss.

Mrs O wanted a payment for her lost petrol and the recent repairs. But the petrol isn't a personal possession that could be recovered, and I wouldn't expect One Insurance to refund this cost. And the repairs to the brakes are maintenance of the car and this would be included in the assessment of the car's market value.

One Insurance's handling of her claim caused Mrs O avoidable trouble and upset:

- She lost the opportunity to have her car inspected by an independent engineer and so challenge the car's salvage category and its previous repairs. And this caused her upset and frustration.
- She lost her personal possessions, after she had told One Insurance that she wanted to recover them, and this was upsetting for her.
- She experienced poor communication from One Insurance, including an incorrect valuation of her car, incorrect information about the status of her car and the retention process and failure to log her complaint efficiently.

One Insurance offered Mrs O £150 compensation for the impact of its errors. But I agree with the Investigator that this isn't sufficient in Mrs O's particular circumstances. And I agree that it should increase its payment of compensation to £450 in total. This is in keeping with our published guidance for the impact caused by the errors.

Putting things right

I require One Insurance Limited to do the following:

1. Pay Mrs O £450 in total compensation for the distress and inconvenience caused by its errors in handling her claim.
2. Refund Mrs O the costs of the replacement of her personal possessions lost in the car, without regard to the policy limit for personal possessions.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require One Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 10 December 2025.

Phillip Berechree
Ombudsman