

The complaint

Mr C has complained about the way his motor insurer, Advantage Insurance Company Limited ('Advantage'), dealt with a claim he made on his policy. He also says his policy was cancelled unfairly and the matter passed on to debt collectors which has caused him a lot of distress.

What happened

I issued a provisional decision regarding this complaint last month. An extract from that decision follows:

"Mr C had a motor insurance policy with Advantage for a number of years.

In January 2025, Mr C's car was damaged whilst parked which resulted in it being written off and declared a category N total loss (non-structurally damaged repairable). A few years prior to this incident, in 2019, the same car was involved in an accident and again declared a total loss. At that time, Mr C chose to keep the car and to have it repaired. He ultimately dealt with the matter privately and not through his insurer.

Mr C made a claim on his policy. Advantage assessed the damage to Mr C's car and said it was initially considering repairing it but found that the damage from 2019 had not been repaired and declared the car a total loss in February 2025. Advantage made a £2,248.21 deduction from the settlement which meant Mr C was only paid £225.79.

Mr C said Advantage also wrote to him and said he still owed £530.76 for his yearly premium- something he was unhappy about. Mr C said he then stopped his direct debit payments which resulted in Advantage passing the matter to debt collectors and cancelling the policy. He added that Advantage took the £530.76 from his account but after complaining to his bank, the money was returned to him.

Advantage reviewed the complaint but didn't uphold it. It said the policy was cancelled on 7 March 2025 and a breakdown of costs was sent to Mr C the following day. It apologised for any confusion caused.

Unhappy with Advantage's response Mr C brought his complaint to our service. He said if Advantage had settled the claim and paid him the pre-accident value of his car without the large deduction, he would have no objection paying his full premium.

In relation to the 2019 claim Mr C said there were some superficial scratches which he had repaired. He said there was damage already on the car when he first bought it, specifically to the right side of the front bumper which he didn't include in his claim. And there were further

scratches but appeared after the 2019 accident. Mr C stressed that he did not receive any settlement from Advantage further to the 2019 claim.

Advantage told us that it gave Mr C 73 days to make the outstanding payment before passing the matter to debt collectors. It added that Mr C didn't complain to it about the deduction from the total loss payment so this wasn't something we could consider.

One of our investigators reviewed the complaint but didn't think it should be upheld and that Advantage was correct to cancel the policy after Mr C cancelled his direct debit payments. Our investigator didn't consider Mr C's complaint about Advantage saying he didn't carry out the previous repairs.

Mr C didn't agree and asked for an ombudsman's decision. He said he is vulnerable due to his age but also in poor health, both mental and physical.

The matter was then passed to me to decide. Before I proceeded with my decision, I asked Advantage for a copy of its full claim notes and confirmation as to how it arrived at the £2,248.21 deduction as well as evidence in support. I also asked for a copy of the call where Mr C made his initial complaint.

Advantage wasn't able to locate the call but provided its notes.

What I've provisionally 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.

The complaint about the previous repairs

Advantage said Mr C hadn't raised this when he complained but it hasn't been able to locate the call in order to confirm exactly what Mr C had complained about. In the absence of the call, I have considered other available evidence which is mainly contained within Advantage's file. From what I have seen, Advantage's complaint notes don't conclusively show that Mr C only complained about the cancellation. The notes state that Mr C complained about the "claim, policy and money" and I think this could include disagreeing with the allegation that he didn't complete the previous repairs. Advantage's file notes also say that Mr C was unhappy about the total loss claim and disagreed with the allegation that he failed to repair the car after the 2019 incident. On balance, I think this evidence points to the fact that Mr C showed he was dissatisfied with the cancellation but also with the settlement he received. So, I think this is something I can consider in my decision.

The 2019 claim

Mr C's car was assessed and not considered repairable. At the time, Advantage assessed the pre-accident value at £1,723 and after deducting the £445 excess it was due to pay Mr C £1,278. Nevertheless, from what I have seen, on 13 December 2019 Mr C called Advantage to say he didn't want to claim through his policy. So, Advantage closed the claim without making any payments to Mr C.

The 2025 claim

Advantage arranged for the matter to be assessed by an engineer. The car was ultimately declared a total loss and assessed as a category N salvage. The engineer also commented that the car was a previous total loss and that Mr C had failed to carry out the necessary repairs. It was decided that a deduction of £2,248.21 would be made from the settlement amount. The market value of the car was assessed at £2,719 and further to the above deduction, an adjusted valuation of £470.79 was reached. After the £245 excess payment was deducted, Mr C was left with £225.79.

From the engineering evidence and from Mr C's account, it is clear that there is some damage that wasn't caused by the vandalism in 2025 but was there before. And, on balance, this consisted of damage that was sustained over the years which I think is normal for a 20 or so year old car. Mr C said that he and someone else went over the scratches from the 2019 incident with polish and repaired them. On balance, bearing in mind that the repairs weren't carried out by a body shop I think, though Mr C may have done his best to repair them, that some would have still been visible- though probably less prominent than they were after the accident. So, I don't necessarily agree that he didn't repair the 2019 damage but, on balance, I don't think this was done to a high standard bearing in mind the engineer was able to detect it when inspecting the car in 2025. It follows that I think it is reasonable for Advantage to make a deduction for this when assessing the car's pre-accident value. But if it does make such a deduction, it has to provide evidence in support.

Our investigator asked Advantage how it arrived at the £2,248.21 deduction. Advantage provided a report from the salvage agent which included the valuation. It contains photographs of the car which show some damage to the rear wheel arch and bumper but no explanation as to how the £2,248.21 was calculated. In its correspondence it said that it deducted the previous total loss payment but, as I said above, it doesn't seem that Advantage made any payments further to the 2019 claim because Mr C decided not to proceed through his insurer. But even if it had settled the 2019 claim, I don't think it would be fair and reasonable for it to claim the full settlement back from Mr C.

Having said this, as I alluded to above, I don't think it would be unfair or unreasonable for Advantage to make a deduction from the total loss settlement to take into account that the car is probably worth less due to it being a previous write-off; because prospective buyers may be reluctant to buy a car which was previously written off. Or for the fact that it has pre-existing damage. But it needs to provide evidence to show what the difference in the valuation would be and/or how it assesses the pre-existing damage especially bearing in mind that things like minor scratches would probably have minimal impact on the value of a 20 year old car. Advantage hasn't done this. As I said above, it has made a deduction of £2,248.21 but provided no explanation as to how it arrived at this figure. So, on the evidence available to me, I don't think this deduction was fair. It follows that I think Advantage should pay Mr C the pre-accident value of £2,719 subject to the policy excess and outstanding premium, in line with the terms of the policy. And it must cancel the instruction to the debt collectors as there will no longer be a debt due.

The cancellation

Advantage cancelled the policy on 8 March 2025 and wrote to Mr C to say that there was still

a balance of £530.76 on the account. I don't think it was unreasonable that Advantage cancelled the policy after Mr C stopped his direct debits, so I don't think it needs to reinstate it.

Distress and inconvenience

Advantage is aware of Mr C's age and at the time when he made his claim, Mr C also made it aware of the fact that he is suffering from various serious medical conditions. I think this would arguably put Mr C in a vulnerable category. I think the way Advantage handled the matter despite being aware of Mr C's vulnerabilities was poor. From what I have seen, it didn't try enough to explain the process or to explain the course of action it decided to take. As I said above, I can't see any explanation for the relatively large £2,248.21 deduction. If it felt it could reasonably make such a large deduction, then I think it would have been reasonable to discuss this with Mr C and give him the option of whether to go through his policy or not bearing in mind the settlement it was proposing was £225, a figure lower than the policy excess.

Ultimately, Mr C was the innocent victim of vandalism and despite this and his vulnerabilities he was left out of pocket as a result of making an insurance claim. I think these are issues Advantage should have taken into account before it calculated the settlement and instructed debt collectors.

On the whole, I think Advantage's actions would have caused Mr C a significant amount of distress and inconvenience and for this reason I think it should pay him £400 compensation.

My provisional decision

For the reasons above, I am considering upholding this complaint. Advantage Insurance Company Limited must cancel the instruction to the debt collectors and ensure the matter doesn't impact Mr C's credit record. It must also pay Mr C the £2,719 it originally offered for the total loss of his car but it may deduct his excess and outstanding premium from this amount as well as the £225.79 if this has already been paid. It must also pay 8% simple interest per year on the amount it pays Mr C, calculated starting one month from the date of the claim to the date it pays him. And it must also pay Mr C £400 compensation for the distress and inconvenience it caused him."

Mr C agreed with my provisional decision. Advantage responded after the deadline I set for replies to my provisional decision and said that bearing in mind Mr C hadn't repaired the damage the car had previously sustained, it only paid him the salvage value (£470.79). It said this is something insurers typically do in these circumstances. It added that it consulted one of the valuation guides as to the salvage value and this came to £686.74 and so it offered to increase what it paid Mr C by £215.95.

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.

Having done so, I've decided not to depart from the findings I made in my provisional decision. This is for a number of reasons. Before I issued my provisional decision I asked

Advantage to explain how it arrived at the £2,248.21 deduction it made from Mr C's settlement. As I said in my provisional decision, Advantage provided a report from the salvage agent but this didn't explain how it calculated this deduction nor did it provide any evidence to support it. Advantage has now provided a salvage calculation which it says is what it should have offered Mr C at the time. I have thought about whether I should take this evidence into consideration but I think it would be unfair for me to be considering new evidence at such a late stage, especially bearing in mind Advantage had the opportunity to provide this evidence when the matter was still with our investigator and before I issued my provisional decision. So, in the circumstances, I have decided not to take it into account.

Even if I were to take this evidence into account in arriving at my decision, I still wouldn't find it persuasive enough to depart from my provisional findings. Advantage said in these circumstances, it only pays the salvage value and said this is standard practice among insurers. Nevertheless, Advantage's terms and conditions say that it will pay the market not the salvage value if a car is declared a total loss. As I said in my provisional decision, even if a car was a previous total loss we would expect the insurer to offer a lower valuation but it would have to explain how it arrived at this valuation. And I also explained that I would expect for the value of a 20 or so year old car, not to be hugely impacted by the presence of damage such as minor scratches. In any event, as I said in my provisional decision, I thought that Mr C had in fact, on balance, repaired the car after the 2019 incident but perhaps not to a very high standard.

Taking into account all the circumstances of this complaint which include Mr C's vulnerabilities as well as the fact that, contrary to what Advantage has said, I thought that he had previously repaired the car, I have arrived at the same outcome that I reached in my provisional decision. And so these as well as the findings I made in that decision are now the findings of this, my final decision.

My final decision

For the reasons above, I am upholding this complaint. Advantage Insurance Company Limited must cancel the instruction to the debt collectors and ensure the matter doesn't impact Mr C's credit record. It must also pay Mr C the £2,719 it originally offered for the total loss of his car but it may deduct his excess and outstanding premium from this amount as well as the £225.79 if this has already been paid. It must also pay 8% simple interest per year on the amount it pays Mr C, calculated starting one month from the date of the claim to the date it pays him. And it must also pay Mr C £400 compensation for the distress and inconvenience it caused him.

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

If Advantage Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C 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 C to accept or reject my decision before 11 December 2025.

Anastasia Serdari
Ombudsman