

The complaint

Mr C has complained that U K Insurance Limited (UKI) have unfairly handled a claim he made on his motor insurance policy.

What happened

Mr C's car was damaged during an accident in January 2024, and it was declared a total loss. His motor insurer, UKI, said the market value of his car was about £5,223 – and sent him two cheques to make up a settlement of this amount.

Mr C wasn't happy with that and didn't cash the cheques. He said he has evidence of his car being worth more. And he didn't think what UKI paid him was enough to buy another car of a similar make and model.

He also complained about how UKI handled the claim, including how his car was categorised after the total loss, how they communicated with him, and that they recovered the courtesy car before Mr C received what he considered a fair market value. Mr C was also concerned that the third-party driver was also a customer of UKI which might impact Mr C.

UKI responded to his complaint points in two final response letters – 19 April 2024 and 4 December 2024 respectively. UKI upheld some of Mr C's complaint points. They acknowledged Mr C's car was incorrectly declared a Category S (structural) total loss rather than a Category N (non-structural) total loss. They also admitted they didn't contact Mr C in the way they should have.

Mr C wasn't happy with their responses and referred his complaint to our Service. He believes UKI didn't categorise his car as a Category N total loss; should have paid more for his car; and didn't fulfil their agreement under the hire car section of the policy.

Our Investigator looked into what happened and didn't uphold the complaint. Mr C disagreed with the outcome, so the complaint has come to me to make a decision.

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'm not upholding the complaint for similar reasons as the Investigator. I'll explain why below.

As ours is an informal service, I'm not going to respond to every point or piece of evidence Mr C and UKI have provided. Instead, I've focused on what I consider to be key or central to the complaint. But I'd like to reassure both that I have considered everything submitted.

Was it fair to write off Mr C's car?

Mr C's policy says that when his car is damaged, UKI can choose to repair the damage, replace whatever is damaged, or settle the claim by send Mr C a payment. It's UKI's choice to pay for the full value of a vehicle rather than repair it, but I'd expect them to make this choice fairly and reasonably. There is a definition for 'written off' in the policy, which is when Mr C's car is so badly damaged that either it's no longer roadworthy or the cost to fix it would be uneconomical, based on its market value.

I've seen that UKI's engineer assessed the damage and concluded that it would have been uneconomical to repair Mr C's car after the accident. Having seen the amount it would have likely cost to repair the damage, I think it's reasonable for UKI to rely on this to write off the car and pay Mr C a settlement.

I appreciate that Mr C is disputing whether the car should have been categorised as a Category N or Category S total loss. UKI have acknowledged they incorrectly categorised the car at first and have apologised for this – I'll be considering the impact of any distress caused by this below along with the other claim handling issues. I understand that Mr C has bought a new car and it would unlikely be in his interest to retain the salvage for the car that was written off considering the cost to repair it. So even if I agreed the car was still incorrectly categorised, I don't think there is any lasting impact on Mr C because of it, and I won't be directing UKI to take any further action in relation to categorising the car.

Did UKI pay a fair market value for Mr C's car?

Our Service doesn't value cars. Instead, we check to see that an insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. We generally find these persuasive as they're based on nationwide research of sales prices. We also do consider other evidence that the parties submit, like adverts and engineers' reports – as Mr C has done here – to determine whether an insurer came to a fair market value.

Mr C's policy includes cover in the event his car is damaged due to an accident. It says UKI will provide cover up to the market value of the vehicle. And the policy defines 'market value' as the cost of replacing Mr C's vehicle with the same make and model, and of a similar age and condition at the time of the accident or loss.

UKI needs to effectively show their valuation is enough to allow Mr C to purchase a replacement car. That doesn't necessarily mean they need to offer the highest valuation available. But if their valuation isn't close to the highest valuation returned from the guides we look at, they would need to evidence this is fair – this is to minimise the risk of detriment to Mr C.

UKI based what they consider a fair market rate on valuations from four trade guides. They gave rates of £5,321, £5,000, £4,501 and £5,348. UKI ultimately considered a fair market value for his car was £5,223 and paid Mr C that amount. I've checked the motor guides UKI ran to make sure they inputted the correct information, and I'm satisfied it's reasonable for them to rely on the guides they obtained.

£5,348 is clearly the highest valuation from the guides and the amount UKI considered a fair market value isn't too far off this amount. But Mr C has made arguments about why he thinks the market value is higher – and submitted adverts and valuations from two other online guides for us to consider.

Mr C's car was a grey, five-door, hatchback version registered in 2014. It had 81,609 miles on the odometer when the accident happened. I had a look through all of Mr C's adverts and thought about the two other online guides he found. I understand why he thinks his car is

worth more than the amount UKI considered a fair value as many of the adverts are selling for significantly more and the two guides show higher valuations than ones UKI relied on.

Most of the cars in these adverts have a lot less mileage than his car – and this would affect the value of the cars advertised. I note there are two adverts that are closer in mileage to Mr C's car: one is a 2015 model with a mileage of 90,000 selling for £6,489 and the other is a 2014 model with a mileage of 84,110 selling for £5,850. These adverts Mr C provided may show that it's possible to find examples of cars similar to his advertised at a higher price than UKI's valuation. But these two examples in isolation don't persuade me that UKI didn't offer a fair market value for his car as two adverts showing a higher selling price isn't as persuasive as the guides which take more of the market into account – and having looked at the market myself, I've found several cars of the same model with similar mileage as Mr C's car for sale for lower than the amount UKI considered a fair market value. Although I do acknowledge it is now a long time after the accident date, I think it's likely there were cars on the market at the time of the accident for around what UKI felt was a fair market value.

Mr C says that his car was well maintained and in excellent condition and had a complete service history. Mr C's car being in good condition supports the argument for paying an amount closer to the highest amount from the trade guides, which takes market examples into account.

After considering the evidence available, I'm satisfied it's reasonable for UKI to consider their figure of £5,223 is a fair market value for Mr C's car in line with the policy terms. And I won't be directing them to pay any more to Mr C.

Was it fair for UKI to have the hire car returned when they did?

Mr C's policy says UKI will arrange for a hire car when his car is damaged. And, if his car is written off, they'll provide the hire car for whichever is shortest of these two periods:

- Up to 21 days in a row.
- Up to 5 days after UKI's first (or only) payment has been issued to settle Mr C's claim.

So, UKI would have needed to provide Mr C a hire car for up to five days after they made their first payment to him. From what I've seen, UKI sent Mr C a payment of £5,156 on 8 April 2024 (which seems to have been received around 14 April 2024) and the remaining £67 later in the month. And UKI had the hire car returned between 20 and 25 April 2024. This is in line with the policy terms, so I find it reasonable for UKI to have the car returned when they did. It follows that I won't be asking them to pay any additional travel costs.

Mr C says that UKI should have agreed a valuation with him before UKI sent out a cheque. And that since they hadn't accepted the valuation or cashed the cheque, they weren't in a position to buy another car, so UKI should have extended the car hire rental until the matter was resolved. Mr C also pointed out that the policy would pay travel costs where a hire car isn't available.

As I explained above, I think the amount UKI paid Mr C was fair. And it was Mr C's choice not to cash the cheque while he disputed the valuation. But I see even without doing so, he was able to buy a replacement car in late April 2024.

Mr C is correct that the policy covers travel costs where a hire car isn't available. But, in this case, one was available which he had use of for the time he was entitled to it. So, this doesn't change my position that UKI doesn't need to pay for travel costs.

Other issues

UKI have a duty to handle claims promptly and fairly. Mr C said UKI didn't act fairly when dealing with the claim and I would agree. I was happy to see UKI acknowledged this and have paid some compensation to try to put things right. The £350 compensation UKI paid is what I'd expect for instances where an insurer has caused considerable distress and significant inconvenience that needs a lot of extra effort to sort out.

Looking through the correspondence between Mr C and UKI, I'm satisfied UKI hasn't handled the claim fairly at various points throughout the claim. UKI gave Mr C wrong information on a number of occasions, didn't reply or delayed doing so at times, and gave vague replies on other occasions. And although I haven't seen evidence of this, UKI have admitted a handler likely made derogatory comments and generally acted unprofessionally. UKI also caused unnecessary confusion over the type of total loss Mr C's car was categorised as. I can see how the combination of all these issues together will have caused considerable distress for Mr C, so I think the £350 UKI paid is appropriate in the circumstances. So, I won't be directing them to pay more than this.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 February 2026.

Andrew Wakatsuki-Robinson
Ombudsman