

The complaint

Mr B complains about the way Zurich Insurance Company Ltd ('Zurich') handled a claim he made on his motor insurance policy.

What happened

Mr B was involved in a non-fault accident in 2024. He reported the accident to Zurich, who reviewed the damage caused and said Mr B's car would be deemed a 'total loss'; meaning it would cost more to repair the car than it was worth. Zurich put forward a cash settlement to conclude the claim, but R disagreed with the amount and said his vehicle was in better condition to comparable vehicles being advertised, it had numerous factory-fitted extras and was worth significantly more than Zurich's settlement amount. He then provided his own advertisements and photographs in support and asked for an increase in settlement. Mr B also says he undertook his own repairs so he could continue using the car for work while the settlement disagreement was ongoing.

Mr B went on to raise several complaints about the way Zurich were handling his claim in relation to delays, miscommunication, the settlement amount, and the policy terms in relation to payment of his claim excess. Zurich issued final responses to those complaints in October 2024, March 2025, and May 2025. But Mr B remained dissatisfied with the way Zurich were handling the claim – so, he brought it to this Service.

An Investigator looked at what had happened and recommended that the complaint should be upheld in part. First, the Investigator explained that the October 2024 final response had not been referred to this service within six months of being issued, so they were unable to consider the issues raised in that complaint. They therefore limited their consideration to the issues Zurich addressed in their March 2025 and May 2025 final responses.

In respect of the vehicle settlement, the Investigator was satisfied Zurich's valuation was in a reasonable range and they explained that Mr B would need to choose between two options: accepting reimbursement of the repair costs Mr B incurred, together with a further inspection of the vehicle to assess any remaining damage, or accepting a cash in lieu payment to conclude the claim. The Investigator explained why he didn't consider it would be fair or reasonable for Zurich to pay both the cash in lieu amount as well as reimbursed Mr Bs repair costs, as that would mean Mr B was over indemnified. The Investigator also concluded that there had been service failings in the way Zurich had handled the claim, including issues with communication and general delays. The Investigator recommended that Zurich shouldn't charge Mr as policy excess and should pay £300 compensation for any distress and inconvenience caused.

Zurich accepted the Investigator's recommendations to conclude the claim, but Mr B did not. He said he felt that Zurich should pay both the cash in lieu payment as well as reimburse his repair costs and he didn't think the compensation award reflected the level of inconvenience he had experienced. He also maintained the vehicle valuations remained too low for him to replace his vehicle.

Mr B asked for an Ombudsman to consider the complaint – so, it's been passed 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.

I should explain from the start that I won't be repeating the entirety of the complaint history here in my decision or commenting on every point raised. Mr B has submitted several detailed and lengthy submissions about this complaint, and while I have considered them all in their entirety, I've focussed on what I consider to be the key points that I need to think about in order to reach a fair and reasonable conclusion overall. This reflects the informal nature of this Service and our key function; to resolve disputes quickly, and with minimum formality.

I also need to explain what I will be considering as part of my decision. Mr B has received three final responses about various elements of his complaint. The Investigator has explained that one of the final responses from October 2024 can't be considered as that complaint hadn't been brought to this Service within six months of the final response being issued. So, the Investigator explained they would only be considering the issues raised in the final responses from March 2025, and May 2025. I also understand that Mr B has a separate complaint which concerns his premiums and another claim. To be clear, I will only be considering the main points raised as part of the complaint Zurich responded to in March and May 2025 and issues around insurance premiums and the impact to Mr B's business do not form part of my decision here.

Vehicle valuation

It isn't the role of this Service to come to an exact valuation of a vehicle. What we do is look to see if an insurer has acted reasonably in looking to offer a fair value of the vehicle in line with the policy's terms and conditions. In the event of Mr B's vehicle being declared a total loss, the policy requires Zurich to compensate him for the market value of his car. The policy defines 'Market Value' as:

the cost of replacing your vehicle with another of a similar make, model, age, mileage and condition as at the time of the loss or damage, up to the value stated in your policy schedule.

It's standard practice for a motor insurer to use valuation guides to work out the estimated value of a car. The valuation the guides produce are based on the advertised prices of similar cars with a similar age and mileage for sale at the time of loss. Carefully considered the valuation evidence Zurich relied on, and I've also considered the advertisements and information Mr B has provided about what he says are compatible vehicles and the optional extras fitted to his car. I can also see that the Investigator carried out their own valuation exercises, which gave values of £4,695, £5,102, £5,473, and £5,530, respectively.

Zurich put forward a settlement of £5,580, and while I understand Mr B strongly believes his car is worth significantly more than Zurich's settlement amount, I'm ultimately not persuaded that Zurich's valuation falls outside of a reasonable market range for a vehicle of Mr B's type and specification at the time of the loss. And while I've considered Mr B's evidence carefully and I agree that advertised prices can be a useful reference point, many of the adverts Mr B relies on are not for comparable vehicles to his own. So, I'm ultimately satisfied Zurich put forward a fair settlement amount to enable Mr B to replace his vehicle and it follows that I'm not persuaded it would be fair or reasonable to require Zurich to increase this.

Cash in lieu offer

I can see Zurich also put forward a cash in lieu settlement, minus a salvage figure, which would allow Mr B to retain his vehicle. And Mr B says he spent money repairing the vehicle himself so he could continue using it while the valuation disputes ongoing. I appreciate why Mr B feels that he should be able to accept the cash in lieu offer as well as be reimbursed for the costs he's incurred; But as the Investigator has already set out, the aim of this type of insurance policy is to compensate for a loss, not to put a policyholder in a better position done before the loss occurred.

A cash in lieu payment is intended to represent the cost of the insured damage and to bring the claim to an end. So, if Zurich were to pay the full cash in lieu amount and also reimbursed Mr B's repair costs; that would mean that Mr B has been over indemnified in the claim. So, the investigator explained that Mr B essentially had two options available to him, either accept reimbursement of his repair costs followed by an inspection of the vehicle by Zurich to assess any remaining damage they should repair, or acceptance of the cash and new payment to conclude the claim. I do not consider it unfair for Zurich to require Mr B to choose between those options. So, this will ultimately be a decision he will be required to make in order to conclude the claim.

Zurich's claim handling

I can see the Investigator previously recommended that Zurich should pay a total of £300 compensation for their handling of the claim, which Zurich has already agreed to. So, I do not intend to make an extended finding on whether Zurich's service fell short. But some examples include Mr B having to chase for updates on a number of occasions, and Zurich not making it clear what the next steps were going to be or how long these stages were likely to take. I can understand why they added to Mr B's frustration, especially given the impact of the claim on his business and the length of time it had been ongoing for. That means I'm satisfied a compensation award is appropriate here.

I've weighed up Mr B's testimony, the available evidence, and the length of time the claim took overall, for the period I am able to consider. On balance, I think the compensation the Investigator has recommended is in line with what I would consider to be fair and reasonable in the circumstances of this particular complaint. And I find this sum reflects the scale of inconvenience Mr B experienced in response to Zurich's actions, while still remaining proportionate and consistent with the way this Service approaches compensation awards.

I appreciate this is not the level of compensation Mr B had hoped for, and it may not ultimately change matters for him. But I should make it clear that this Service is not the industry regulator and we don't have the power to punish or fine businesses - that's the role of the Financial Conduct Authority ('FCA'). Our role is to resolve individual disputes by deciding what's fair and reasonable for the people involved. And having done so, I consider the compensation award to be in line with the level of compensation appropriate to these issues, and I'm satisfied this produces a fair and reasonable outcome in this particular complaint.

Finally, I can also see that Zurich agreed with the Investigator's recommended not to charge Mr B his policy excess, which I am satisfied is fair and reasonable in the circumstances of this complaint.

Putting things right

In order to conclude the claim, Zurich should pay £300 compensation as well as waive payment of Mr B's excess, if they haven't done so already.

It will remain for Mr B to decide which of the available settlement options he wishes to accept in order to conclude the claim.

My final decision

For the reasons I have given, my final decision is that I uphold this complaint in part. I direct Zurich Insurance Company Ltd to conclude the complaint in the way I have set out in the "Putting things right" section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 31 March 2026.

Stephen Howard
Ombudsman