

The complaint

Mr C complains about the way First Central Underwriting Limited (First Central) offered to settle the claim he made under his motor insurance policy.

What happened

The circumstances of this complaint will be well known to both parties and so I've summarised events.

Mr C held a motor insurance policy which was provided by First Central. In October 2024 Mr C was unfortunately involved in an accident and so reported a claim under his policy. First Central deemed Mr C's vehicle a total loss. It said it would settle Mr C's claim by paying him the market value for his vehicle minus his policy excess. It valued Mr C's vehicle at £4,070 and calculated the salvage value as £1,261. Mr C didn't think this was reasonable and so raised a complaint with First Central.

In November 2024 First Central wrote to Mr C to explain how it had valued his vehicle and that it wouldn't be increasing the amount it had offered. Mr C responded to say First Central hadn't answered all of his complaint points, such as the salvage value placed on the vehicle, and how it had deemed his vehicle to be a total loss.

On 17 January 2025 First Central issued Mr C with a final response to his complaint. It said it had carried out a desktop inspection and deemed the vehicle a total loss. It also said it had calculated the value of Mr C's vehicle using industry guides and it wouldn't be increasing this.

Mr C responded to First Central's final response to say not all his complaint points had been responded to. First Central issued a further response to Mr C but didn't change its position on his complaint. Mr C referred his complaint to this Service.

Our Investigator looked into things but didn't uphold Mr C's complaint. Mr C didn't agree with our Investigator. He provided a detailed response but in summary he said:

- The value placed on his vehicle is unreasonable.
- He doesn't think the salvage value placed on his vehicle has been calculated fairly.
- There has been a lack of transparency from First Central and a delay in disclosing information to him.

As an agreement couldn't be reached the complaint has 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 want to acknowledge I've summarised Mr C's complaint in less detail than he's presented it. I've not commented on every point he has raised. Instead, I've focused on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Mr C and First Central I've read and considered everything that's been provided.

Mr C has raised concerns about the way First Central calculated the repair costs on his vehicle and its decision to declare his vehicle a total loss.

The terms of Mr C's policy explain when settling a claim First Central may repair the damage or pay money if his vehicle is a total loss. Total loss is defined in the policy as:

'When the insurer considers the car to be beyond economic repair'.

First Central didn't physically inspect Mr C's vehicle, however one of its engineers reviewed the damage reported, alongside the photographs of the damage and decided the vehicle would be beyond economic repair. I think it was reasonable for First Central to rely on its engineer to make this decision given they are the experts in the field. Given the value of Mr C's vehicle alongside the damage reported, and the engineer's opinion, I'm satisfied it was reasonable for First Central to declare Mr C's vehicle a total loss.

Mr C has said he doesn't think the valuation placed on his vehicle is a reasonable one. I should explain it isn't the role of this Service to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of the policy correctly and valued the vehicle fairly. Under the terms of Mr C's policy, First Central had to pay him the market value of his vehicle minus any applicable policy excesses.

The terms of the policy define market value as:

'The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss. This may not be the same as the price you originally paid for your car or the value you declared on the Statement of Fact'

First Central used valuation guides when deciding the market value of Mr C's vehicle, which I don't think is unreasonable. This is standard practice in the industry and I generally find these valuations to be persuasive as they are based on nationwide research of likely sales prices.

First Central assessed the value of Mr C's vehicle by using three valuation guides which provided valuations of £2,624, £3,725 and £4,070 respectively. It valued Mr C's vehicle at the highest of these valuations. This Service also consulted these three guides and the highest valuation provided was also £4,070.

First Central also reviewed the market and was only able to find one vehicle similar to Mr C's, but it had done over 100,000 less miles than Mr C's vehicle so I don't consider this to be a reliable indicator of the value of Mr C's vehicle at the time of loss.

Overall, I'm satisfied the value First Central placed on Mr C's vehicle was a reasonable one. It has valued Mr C's vehicle based on the highest valuation guide, and Mr C hasn't been able to provide any persuasive evidence in the form of market examples, which demonstrate this valuation is an unreasonable one. So, I don't require First Central to increase its valuation of Mr C's vehicle.

First Central said if Mr C wished to retain his vehicle it would deduct the amount it would

have received for selling the salvage which isn't unreasonable. However, Mr C has said the salvage value of £1,261 First Central placed on the vehicle is unreasonable.

It's common practice for insurers to have agreements with companies who'll pay a percentage of the vehicle's market value to buy the vehicle's salvage. First Central has provided evidence it would have received £1,261 for the salvage of Mr C's vehicle and so I think the salvage value it placed on Mr C's vehicle was a reasonable one.

I appreciate Mr C is frustrated the calculation of the salvage value hasn't been shared with him. However, I'm satisfied this information is commercially sensitive and so I don't think it's unfair this hasn't been shared with him. However, I want to assure Mr C I've carefully considered the evidence First Central has provided and I'm satisfied it has treated him fairly in respect of the salvage of his vehicle.

Mr C is unhappy with the way First Central has handled his claim. He said there was a lack of transparency, and it delayed providing him with information he requested.

Based on the evidence provided, I think First Central initially handled Mr C's claim promptly when it declared his vehicle a total loss and shared the valuation with him. I can also see First Central's claim notes say Mr C spoke to an engineer who explained how salvage value was calculated. So, I think it provided Mr C with reasonable information about the total loss of his vehicle in the first instance.

I think First Central could have responded to Mr C's follow up questions more promptly than it did. However, even had it done so, I'm not persuaded this would have made a material difference to Mr C's complaint. Mr C is ultimately unhappy with the market value and salvage value First Central has placed on his vehicle, which I ultimately think have been calculated fairly.

When there is a dispute about the valuation placed on a vehicle, I consider it good industry practice for an insurer to offer an interim settlement, making it clear the insured can still dispute the valuation. First Central has said it asked for Mr C's bank details, but it didn't make clear it could offer a settlement on an interim basis. I think had it done so, it's more than likely Mr C would have accepted this and continued to dispute the valuation placed on his vehicle.

Mr C has kept his vehicle and said it's driveable, so I don't think he has suffered a significant detriment due to not receiving an interim settlement for his vehicle. However, I think Mr C has been without funds he otherwise should have received. Therefore, I think it's reasonable for First Central to arrange the settlement due to Mr C and pay 8% per year simple interest from the date it initially offered Mr C a settlement to the date it pays the settlement due.

I'm aware this will be disappointing for Mr C as I know how strongly he feels the settlement he has been offered is an unreasonable one. However, I think First Central paying him the settlement due alongside interest is a reasonable resolution to his complaint in all of the circumstances.

My final decision

For the reasons I've outlined above I uphold Mr C's complaint about First Central Underwriting Limited. I require it to:

- Pay Mr C the settlement it offered of £2,459 for the total loss of his vehicle.
- *Pay 8% per year simple interest on this amount calculated from the date it initially offered Mr C a settlement for his vehicle to the date it pays the amount due.

*If First Central Underwriting 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 10 March 2026.

Andrew Clarke
Ombudsman