

## **complaint**

Mrs B has complained about Royal & Sun Alliance Insurance Plc's (RSA) service after she claimed on her motor insurance policy.

In bringing this complaint Mrs B's been represented by her daughter, but for ease I'll refer to her comments as being those of Mrs B.

## **background**

Mrs B was in an accident that wasn't her fault. RSA said the car was a total loss and eventually paid her a total of £2,400 for it. Mrs B complained about a number of aspects of RSA's service. RSA acknowledged that it hadn't always got things right and paid Mrs B £100 compensation for her distress and inconvenience. But Mrs B didn't think that went far enough and brought her complaint to us.

On 2 November 2017 I issued a provisional decision. For ease I've copied my provisional findings below. I said:

*"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 going to partly uphold it. And I'll address the key points of Mrs B's complaint in turn.*

### *accident and total loss*

*Mrs B was very upset to learn that, after RSA had said her car was a total loss, someone else bought the salvage and put the car back on the road. Mrs B said she told RSA that she wanted the car repaired as she'd only just bought it.*

*I've listened to the call in which RSA's engineer explained that the car was a total loss. Mrs B did ask about repair and the engineer explained why it wasn't economic to do that and Mrs B didn't pursue the point. And I've seen the engineering evidence that supports that the cost of the repairs would be roughly equivalent to what the car was worth. So I think RSA's decision to say the car was a total loss was reasonable.*

*RSA eventually valued Mrs B's car at £2,400. RSA said its valuation was based on the trade guides, so it thinks its valuation was fair. I agree that, based on the trade guides alone, RSA's valuation seems reasonable, although it's slightly lower than the trade guide figures. And we often rely on the valuations provided by the national trade guides. As those reflect research into sales prices for particular cars at the time they were sold.*

*But valuing cars can often be difficult, it's not an exact science and small differences between vehicles can make a big difference to their actual selling prices. And I've seen that Mrs B had paid £2,800 for the car only three weeks before the accident. And she appears to have bought the car from a reputable dealer and she later bought the same model of car for roughly the same price. RSA's said that Mrs B's car had some pre-accident damage that would reduce the price of the car. But I think that damage was there when Mrs B bought it. And, given the short time frame between Mrs B buying the car and its loss, I think RSA should treat the price Mrs B paid as a clear indication of the price such cars were selling for and therefore a fair market value. So in those circumstances RSA should pay Mrs B an additional £400 for her car. And, as she's been without that money for some time, it should add interest to that sum at a rate of 8% a year simple.*

*I understand that Mrs B found it upsetting that someone else had put her car back on the road. But RSA had paid Mrs B for the car so it became its property. And it's common for insurers to sell the salvage on to salvage dealers. They may then repair the cars themselves with second hand parts and sell them on, or sell them at auction for a new owner to repair the car. That appears to be what happened in this case. So while I can understand that Mrs B might have found it upsetting that someone else had managed to repair her car, I don't think that means RSA came to the wrong decision about deeming it uneconomical to repair.*

#### *additional premium*

*After Mrs B bought a new car RSA told her she'd need to pay an additional £86 in premium. RSA told her this was because cars with a "greater period of ownership" represented a lower insurance risk and that was reflected in the premium. But that explanation didn't make any sense, as Mrs B had only bought her other car three weeks before the accident. So there was no "greater period of ownership" compared to her replacement car.*

*But in response to the adjudicator's view, RSA's explained that its records showed that Mrs B bought her car a year earlier than she actually had. In other words, when it calculated her initial premium it did so on the basis that she had owned her car for 12 months, when she'd actually only just bought it. So the premium it initially charged was artificially lower than it should have been. And, when she added her new car to her policy, it correctly calculated the premium based on the car being new to her. And that produced the additional £86 charge.*

*So, as the initial premium was actually too low, I think it was reasonable for RSA to calculate and charge the correct premium after she added her new car to the policy. But it hadn't identified its earlier error when responding to Mrs B's complaint, nor when responding to our enquiries. So it hadn't provided an adequate explanation for the difference in premium. And I can understand that Mrs B would have found the situation confusing and frustrating.*

#### *customer service*

*RSA acknowledged that it could have been "more proactive" in handling Mrs B's claim, and it paid her £100 compensation to address that. It also refunded her £200 excess before it had recovered its outlay, which it didn't have to do. So it has gone some way to address some of its poor service.*

*But I've seen that RSA's handling of the claim and complaint's been littered with mistakes throughout the process. For example, it told Mrs B that progress with the claim was slow because it didn't know the registration number of the ambulance. But Mrs B wasn't hit by an ambulance and she'd provided it with the details of the driver who'd hit her car.*

*Also RSA told her that it was pursuing the matter against a Mr B, who wasn't involved in the accident. That wasn't only the wrong name it was also the name of Mrs B's sadly deceased husband. And Mrs B found it very upsetting that RSA was saying it would pursue him for the claim.*

*RSA also told Mrs B that the other side had admitted liability and that once it had paid her repair costs it would try to recover those from the other side. But part of Mrs B's complaint*

*was that her car hadn't been repaired and it had deemed it a total loss over a year earlier. So there was no reason for it to refer to repair costs.*

*Also, as I've said above, RSA didn't properly investigate her complaint about the increase in her premium. And the reason for this has only just come to light. So I can understand that all of these errors have added to Mrs B's confusion and frustration. In those circumstances I think it's fair and reasonable that RSA pays her a further £150 compensation to address her distress and inconvenience."*

## **responses**

Amongst other things RSA said that Mrs B's policy was based on market value and that my decision might set a precedent for consumers to demand cars be valued at purchase price. It added that the car had some damage that might have happened since Mrs B bought it. It said that it didn't feel that it should pay any more redress.

Mrs B said that RSA only offered to increase its valuation for the car because Mrs B wanted to pay the extra costs to put the car back on the road. And, as it knew the car had already been sold, she said the additional £200 it offered was to "buy/fob" her off. She also said that she didn't understand RSA's reasons for charging the additional £86 premium after she changed her car, as the paperwork said nothing about her owing the previous car for 12 months.

## **my findings**

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 change any of the findings I made in my provisional decision.

RSA has said that my decision might set a precedent and encourage consumers to ask to settle claims for the purchase price of their cars. But, my decisions do not set precedent. And in this case Mrs B had bought her car only three weeks earlier from a reputable dealer. So I don't think that she necessarily paid too much for it. It follows that I think the price she paid so soon before it was damaged in the accident, represented a fair market value for the car. As that's clear evidence that's the price such cars were selling for at that time. Therefore, my award was in line with the policy intent that RSA should pay the car's market value, which, in this case was the same as the purchase price.

RSA added that the car could have suffered further damage since Mrs B bought it. But Mrs B has confirmed that she'd only driven the car twice in between buying it and the accident. She's said it hadn't suffered any further damage while she'd had it. So I don't think that the damage RSA referred to happened since she bought it. And, for the reasons I set out in my provisional decision I think RSA should pay Mrs B additional compensation for the distress and inconvenience it hadn't previously recognised in its complaints handling.

Mrs B said that RSA only offered to increase its valuation to £2,400 after she said she wanted to have the car repaired and because it knew it had already sold it. But I don't think her recollection of events is accurate. I will first say that I've listened to the phone call in which RSA initially offered her £2,200 for her car. And Mrs B says she's happy with that amount. So I don't think it was unreasonable that RSA settled the claim on that basis at that time and passed the car to a salvage agent.

After the salvage had been sold Mrs B contacted RSA again and it agreed to increase its offer for the car. But the records of that call show that it agreed to increase its offer in line with the trade guides. And there's no indication that it considered whether or not the car had already been sold at that point. So I don't think Mrs B is correct that RSA's intention was simply to 'fob her off'. But, as I said in my provisional decision, given that she had recently bought it I think its offer was too low and it should increase it to the £2,800 she paid for it. It should add simple interest at a rate of 8% a year to that sum.

Turning to the £86 extra premium RSA charged her when she insured her replacement car. I can understand why Mrs B remains confused by this. But I can only repeat that RSA's shown me that, when it calculated her premium for the first car, it did so on the basis that she'd owned the car for 12 months. In other words, it made a mistake as to the year that she'd bought her car and calculated the premium on that basis. But, when she insured her replacement car, it entered the correct year she bought it, and that resulted in the additional premium. And, I think that RSA should recognise the additional distress and inconvenience its error and previous lack of response for it caused, along with some of its other poor service, and pay Mrs B a further £150 in compensation.

For completeness I'll add that Mrs B also said she didn't know what the damage to her first car was or what the repair costs were. She might wish to consider requesting this information direct from RSA.

### **my final decision**

For the reasons set out above I partly uphold this complaint. I require Royal & Sun Alliance Insurance Plc to:

- Pay Mrs B a further £400 for her car and add simple interest at a rate of 8% a year from the date it settled her claim to the date it makes payment<sup>1</sup>.
- Pay Mrs B a further £150 compensation to address her distress and inconvenience.

It should take the above action within 28 days of us telling it that Mrs B has accepted my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to Mrs B to accept or reject my decision before 15 January 2018.

Joe Scott  
**ombudsman**

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<sup>1</sup> If RSA considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs B how much it's taken off. It should also give Mrs B a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.