

## **complaint**

Ms Y has complained about the amount Octagon Insurance Company Limited offered her for the market value of her car when she made a claim under her motor policy following an accident.

## **background**

Ms Y was involved in an accident and reported it to Octagon. It offered Ms Y £5,850 as the market value after its engineer decided that it was uneconomical to repair her car. Ms Y didn't think this was enough so she complained to Octagon. She was also unhappy with the length of time it took to settle her claim.

Octagon said that it reviewed the valuation of Ms Y's car and had reached the figure based on the trade guides. The engineer had deducted £150 from the trade guide value for damage to one of the wheels which was reported in Ms Y's last MOT certificate. It then said that as it hadn't considered spot lights for her make and model, it increased the value by £50 to £5,900. Ms Y's excess was £350 and she had a car loan so Octagon said it would deduct the excess and the outstanding finance amount from the value.

Ms Y remained unhappy so she asked us to look at her complaint. She had provided Octagon with evidence to show the wheel was repaired before the accident, so it shouldn't have deducted £150 from the value. She explained that she was a single parent with two children and the impact of not having a car had been significant as they all had to rely on public transport for school and work. She didn't think the value was close to adverts for the same make and model of her car online, which she found was nearer to £8,000.

Octagon then agreed that the deduction of £150 wasn't reasonable and it offered Ms Y £100 compensation for the distress and inconvenience it has caused her.

The adjudicator who investigated the complaint recommended that it should be upheld. He thought the engineer had incorrectly assessed the value of Ms Y's car as he didn't use the correct model and specifications under the trade guides. He thought a fairer figure was £7,200. He recommended that Octagon pay Ms Y £560 for loss of use of a car because it didn't tell her that she could have accepted the interim payment it offered her while she disputed it. He thought that it had caused delays which its offer of £100 was fair and reasonable compensation to Ms Y. He recommended that Octagon pay Ms Y 8% simple interest per year for the £7,200 (minus the excess and outstanding finance amount) from the date it made its first offer to the date it paid her.

Octagon agreed that it had made a mistake in the valuation of Ms Y's car and in September paid her £7,200 minus the deduction for the excess and finance balance which was £4,073.52. However, it didn't agree that it should pay her for loss of use because it said it also needed the vehicle registration document and MOT certificate along with a final finance settlement figure, which Ms Y hadn't provided. It also didn't agree that it should pay 8% simple interest.

Ms Y said that she had to pay interest payments on her loan that she wouldn't have had to pay if it had paid a fair market value of her car earlier.

So the matter has been referred to me to decide.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Octagon instructed an engineer to assess Ms Y's car a week after the accident. It didn't tell Ms Y until two weeks later that the engineer was waiting for her last MOT certificate to verify the mileage of her car before he would issue his report. Ms Y said that she had already sent this, but sent it again. However, it was another two weeks before Octagon offered Ms Y the market value of her car.

I think this was an unreasonable delay. It was only when Ms Y chased for an update did Octagon tell her that the engineer was waiting for the MOT certificate, which she thought it already had. As his report was ready apart from the MOT certificate details, I think Octagon should have done more to ensure it received the report promptly once the engineer had the MOT certificate. It took a month from the original inspection to give Ms Y a market value for her car. So I think Octagon was unreasonable to Ms Y in failing to promptly deal with its initial assessment and keep her updated.

Ms Y's motor policy entitled Octagon to settle the claim by paying her the market value of her car at the time of loss. Our role is not to provide an exact valuation of the car but to determine whether Octagon's offer was fair and reasonable. We normally give weight to the various trade guides used for valuing motor vehicles, as well as taking into account the evidence provided by both parties, which might include engineer's reports, statements from dealers and, in some cases, advertisements for similar cars.

The engineer instructed by Octagon didn't correctly assess the market value of Ms Y's car, which he decided was £6,000. After seeing the last MOT certificate he then reduced the amount by £150 for pre accident wheel damage because he assumed it hadn't been repaired since the MOT. The engineer didn't physically inspect Ms Y's car, so he was relying on photos to make his assessment. Ms Y then had to produce a receipt to show that the wheel had been repaired since the MOT.

The value of £6,000 was significantly lower than the trade guides we found of £7,160 and £7,180, which Octagon then accepted. Ms Y provided Octagon with the original advert for her car along with similar adverts online on 11 June. However, Octagon then took a further month to reply to Ms Y, and when it did it told her the engineer's assessment of her car was unchanged. I think Octagon's service to Ms Y was poor in respect of the engineer's assessment of the market value of her car as it was over £1,000 less than it should have offered her, and was incorrect twice.

When Octagon made its first offer to Ms Y, it said that she had seven days to accept the offer and it asked her for the vehicle registration document, MOT certificate and finance settlement figure. Ms Y was very upset with the amount Octagon offered her and didn't accept it.

Given that Octagon had already delayed the claim in confirming its valuation, I think it should have told Ms Y she could accept the interim payment but still dispute the amount. This would have at least enabled Ms Y to receive some money to buy another car if she wanted to, given her circumstances. Octagon said that it couldn't have done this anyway as Ms Y didn't send the documents it needed. However, I think the only reason why Ms Y didn't provide the documents was because she didn't want it to settle her claim for that amount.

And when the amount of £7,200 was agreed, Ms Y sent Octagon the required documents within a couple of days. So I think by failing to offer an interim payment, Ms Y waited much longer than necessary without any payment at all which I think was unfair to her. Octagon paid Ms Y the balance of the correct market value in September.

Ms Y has provided receipts for public transport and cabs for her and her children for their travel to work and school respectively. Ms Y has explained that she sometimes works in the evening so she has had to take a cab home as it's too late to travel by public transport. She has hired a car on three occasions. Travel time for her children to school and back and to her work and back has increased by a few hours a day as her children's school isn't local. In addition to the upset of the accident itself, Ms Y said that she is a single parent and the impact on her family by not having the use of her car has affected her well being because of the restrictions it has brought.

I think that the impact of not having the use of a car for Ms Y was significant and as such, caused her considerable inconvenience. Ms Y refused Octagon's initial offer on 11 June. On 19 August Octagon confirmed to us that it hadn't offered Ms Y an interim payment. Excluding weekends, this amounts to 56 days, so I think a reasonable amount to compensate Ms Y for loss of use is £560. I'm satisfied that Ms Y did what she could to mitigate her losses given her circumstances and responsibilities.

Octagon's handling of Ms Y's claim was poor and its delays and incorrect valuation of her car has caused Ms Y trouble and upset. For this it should pay Ms Y £100 compensation. It should also pay interest at 8% simple interest per year on the final amount it paid her for the value of her car at £4,073.52. This should be calculated from 5 June, when it made its first offer, to the date it paid her in September.

Ms Y said that she is upset that she is continuing to pay the rest of her annual premium even though the accident happened not long after she bought her policy. However, as Octagon has settled a claim by paying the market value of her car, the yearly premium is owed to Octagon as it has met its responsibilities to her under the policy.

Ms Y has shown that she paid an additional £89.06 in interest payments against her loan due to the delays in Octagon paying the market value of her car. The interest added to the market value balance of £4,073.52 is more than the interest payments she made, so it will meet this outlay for Ms Y.

### **my final decision**

For the reasons given above, my final decision is that I uphold this complaint and I require Octagon Insurance Company Limited to do the following:

- Pay Ms Y £560.00 for loss of use of a car
- Pay Ms Y interest at 8% simple interest per year on the market value for her car (minus finance settlement and excess) of £4,073.52, from 5 June to the date it paid her
- Pay Ms Y £100 compensation for the trouble and upset it caused her (if it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 19 November 2015

Geraldine Newbold  
**ombudsman**