

complaint

Mrs G has complained about U K Insurance Limited's (UKI) handling of her car insurance policy.

background

Mrs G had car insurance with UKI. In October 2018, whilst Mrs G's car was parked another car crashed into it. The damage was such that UKI said the car was a total loss because it was uneconomic to repair it. UKI said the car's pre-accident market value was £1,325.

As Mrs G felt her car was worth more she disputed UKI's valuation. Mrs G said she found out that UKI had disposed of her car without her permission. Another thing Mrs G was unhappy about was that when UKI offered her a hire car for her to stay mobile, they said her policy would apply to the hire car which meant she would have to pay an excess in the event there was a claim resulting from an incident involving the hire car. She said UKI told her she would have to pay an excess of £200. She felt that was unfair, so she said she bought excess waiver cover for the hire car at a cost of £69. She said when she later raised the matter as a complaint with UKI, they told her the excess was £50 and not £200.

In response to Mrs G's complaint, UKI accepted they were wrong to dispose of her car while the valuation was in dispute. They paid Mrs G £200 compensation to address that. But they said their valuation of the car was correct and that they hadn't done anything wrong in relation to the hire car. Mrs G didn't think that UKI had dealt with her fairly, so she brought her complaint to our service.

One of our adjudicators looked into it. She felt that UKI's valuation of the car wasn't reasonable. She felt the correct valuation was £1,777.50, not £1,325. So, she suggested UKI should pay Mrs G a further £452.50 together with interest. In relation to UKI disposing of Mrs G's car, our adjudicator felt £200 compensation didn't go far enough and she suggested UKI pay a further £100 to take the total compensation to £300. Finally, in relation to the hire car, our adjudicator didn't think UKI had done anything wrong. As UKI didn't agree with our adjudicator, the complaint has been passed 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. Having done so, I'm upholding the complaint in part for reasons similar to those of our adjudicator.

I've looked at all of the information provided to me by the parties carefully. In this decision I will focus on what I consider to be the key outstanding issues. My role is to decide if UKI have dealt with Mrs G in a fair and reasonable way.

valuation of the car

Mrs G's policy says that where her car is a total loss, UKI must pay her the pre-accident market value of it. I feel that the starting point when trying to establish the market value of a car is to look at the industry trade guides, and that is what UKI said they did. The guides are based on extensive nationwide research of likely selling prices.

Our adjudicator independently checked the guides but reached a different conclusion to that of UKI. From the four trade guides our adjudicator used, two gave valuations of £1,750 and £1,805. One didn't provide a valuation for the month in which the accident happened and the other didn't give a valuation at all. Our adjudicator reached the £1,777.50 valuation by averaging the two guide valuations. That is an accepted method used within the motor insurance industry.

Looking at the valuation done by UKI, I can see that they based it on Mrs G's car having been registered in June 2015. But that was incorrect as her car was registered in June 2007. The base value UKI started with was £1,245. UKI made a deduction of £124 for the car's mileage but added £204 for its condition being "*fair*". That's how they appear to have reached a valuation of £1,325.

But the valuations obtained by our adjudicator were based on the car's correct registration date, mileage and other details. After our adjudicator told UKI what she felt was the correct valuation, UKI provided some more information from their engineer explaining why they felt their valuation was correct. UKI said our adjudicator's suggested valuation should be reduced by 10% because Mrs G's car was left hand drive which had less value in the UK. They also said a review of the car's MOT history and its pre-accident condition, shown in some photos, meant that it was reasonable to make deductions to reflect its "*poor condition*". But I would like to make the following comments:

- Our adjudicator asked UKI for copies of the photos UKI mentioned showing pre-existing damage. But UKI didn't provide us with those photos.
- In UKI's valuation they said they increased the guide valuation they used by £204 to reflect the car's "*fair*" condition. I think that's inconsistent with UKI's current position that a reduction in value should be made because the car's condition was "*poor*". If that was UKI's belief I think they would have reduced their own valuation not added £204 to it because they felt the car's condition merited an uplift.
- Because UKI disposed of the car Mrs G was deprived of the opportunity to have it assessed by an independent engineer to challenge what UKI have said.
- In UKI's file notes, which I have reviewed in full, and in their correspondence with Mrs G about the dispute over the valuation, UKI didn't say their valuation was affected by the poor pre-accident condition of the car, which I would have expected them to have mentioned if that was the case.

I therefore don't think UKI's valuation was reasonable. I agree with the valuation our adjudicator suggested, namely that the fair pre-accident market value of the car is £1,777.50. I therefore uphold this aspect of the complaint. UKI have already paid Mrs G £1,325. I therefore require them to pay her a further £452.50, together with simple interest at a rate of 8% a year from the date of claim until the payment is made.

disposal of the car

UKI said Mrs G didn't want to keep her car. But Mrs G said she did. She said she owned the car from new and it was cherished. UKI have accepted that as the valuation was in dispute, they shouldn't have disposed of it. And they paid her £200 compensation. The car still belonged to Mrs G at the time it was disposed of. The car would only have become UKI's property once a settlement was agreed by Mrs G and paid to her. Aside from the upset caused to Mrs G, UKI disposing of the car also meant Mrs G was deprived of the opportunity of getting it assessed to counter UKI's assertion that the car was in a poor condition.

But given the estimated cost of repairing the car was over £7,000, I don't think Mrs G would have kept the car as I don't think she would have paid to have it repaired as that would have made no economic sense. But I think the shock of finding out her car was disposed of while the settlement hadn't been concluded was a source of distress and inconvenience for Mrs G. So, to reflect that, I require UKI to increase the compensation by £100 as suggested by our adjudicator. That brings the total compensation to £300. In reaching this amount I have also taken into consideration the valuation issue and the fact that I have upheld that part of the complaint.

hire car

When Mrs G was offered a hire car she said she didn't want to pay an excess in the event there was a claim. Mrs G therefore decided to buy excess waiver cover.

Mrs G's policy explained that in the event she had a hire car, she would be covered under her insurance policy as though the hire car was her own car. The policy also said if she made a claim relating to the hire car she would have to pay an excess that applied under her policy. Mrs G had a compulsory excess of £50. There was also a £150 excess for any claim resulting from fire and theft. I've not seen any evidence, other than what Mrs G told our service, that UKI mis-informed her by telling her the excess was £200. I understand the excess was explained in the policy documentation which Mrs G should have been aware of. I think it's possible Mrs G got the £200 figure because that's the combination of her compulsory excess of £50 and the £150 excess for fire and theft. Mrs G was upset that the cost of her excess waiver cover was higher than the £50 excess, but I don't think UKI did anything wrong. I'm therefore not upholding this part of the complaint.

my final decision

For the reasons set out above, I uphold this complaint in part and require U K Insurance Limited to:

- Pay Mrs G £452.50 towards the settlement of her claim together with simple interest at a rate of 8% a year from the date of claim until the payment is made.¹
- Pay Mrs G a total of £300 compensation for the distress and inconvenience she experienced. I understand UKI have already paid £200 of that amount. The remaining £100 compensation should be paid within 28 days of us telling them that Mrs G has accepted my final decision. If UKI pay later than this they must also pay interest on that amount from the date of my final decision to the date of payment at a rate of 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 25 March 2020.

Mehmet Osman
ombudsman

¹ If UKI consider that they are required by HM Revenue & Customs to take off income tax from that interest, they should tell Mrs G how much they have taken off. They should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HMRC if appropriate.