

## **The complaint**

Mr B has complained about his car insurer Zurich Insurance PLC regarding a settlement it made to him when his car was damaged in an accident.

## **What happened**

Mr B's car, which is around thirty years old, was hit by another driver two days before his policy with Zurich was due to end. He arranged cover going forward with a new insurer, placing an agreed value for the car of £4,000 on the policy. He made a claim to Zurich and arranged to have his car repaired.

Zurich had an engineer assess Mr B's car whilst at his garage for repair. The engineer, noting the car's high mileage and some poor paintwork, felt the car had a market value of £3,000. Mr B's repair cost was estimated to be £2,892.30. Zurich decided to cash settle the claim on the basis of the car's market value, less an amount for salvage (because Mr B was keeping the car) and the policy excess of £500. It paid him £1,750.

Mr B was unhappy. He didn't think Zurich should've viewed the car as a total loss as it was perfectly repairable. And he felt the market value it had ascribed to it was too low. He said he could only find similar cars for sale between £4,000 and £16,000, and his new insurer was happy the car was worth £4,000. Mr B complained to the Financial Ombudsman Service.

Our Investigator noted Zurich's engineer's view of the value of the car. She also checked internet sale prices for similar cars. Overall she thought Zurich had acted fairly and reasonably. So she did not uphold the complaint.

Mr B felt the approach of declaring cars uneconomic for repair when they could be repaired, was not environmentally friendly. He said he felt the evidence from the engineer had been relied upon too heavily. He said the engineer wasn't independent and his new insurer had placed an agreed value on the car of £4,000.

Our Investigator replied to Mr B. When he remained unhappy his complaint was referred for an Ombudsman's decision.

## **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.

The accident occurred on 2 January 2023 and on 6 January 2023, Zurich noted its file to show Mr B was obtaining an estimate from his own repairer. Mr B, on 13 January 2023 sent an estimate for repair to Zurich. He asked for the repairs be authorised. Zurich's engineer

inspected the car on 19 January 2023, completing their report the next day. Zurich put its settlement offer in writing to Mr B on 25 January 2023. I think the claim was handled in a reasonably timely manner by Zurich.

I appreciate Mr B has concerns that the engineer was not independent. But it is quite common for insurers to instruct engineers in this way and the engineers are independent in that they do not work directly for the insurer. They also provide their reports in line with court protocols. I'm satisfied its reasonable for the engineer's findings to be given weight and considered as an expert opinion.

The report explained the engineer had determined the car's market value as £3,000. The engineer said this was based on internet research and experience. No further detail was provided – ideally that conclusion would have been supported with evidence. But I note our Investigator checked internet sales prices for cars similar to Mr B's. She only found one car for sale at more than £4,000. Others were for sale at over £3,000. But all those found generally had a much lower mileage than Mr B's car. I'm satisfied Zurich acted fairly and reasonably when it applied the market value set by the engineer to Mr B's claim.

Mr B's new insurer has applied an agreed value to its policy for the car of £4,000. But I haven't seen that that happened as the result of any expert assessment. As such I think that can't reasonably outweigh the findings of the engineer. And Zurich isn't bound to act on the basis of what another insurer has agreed.

That said, accepting for a moment that the car did/does have a value of £4,000, I've thought about Mr B's concern surrounding Zurich viewing the car as uneconomical to repair. I realise this might seem unsatisfactory to Mr B – as he has a car which he can repair and continue to use. But its quite usual for policies of insurance to contain clauses which allow insurers to settle claims as they see fit and that will usually result in the most cost effective resolution.

Most insurer's when looking at car repairs, will take a view about committing to repairs. Often if the estimated cost for repair is 60% to 70% or more of the car's market value, an insurer will view it as uneconomical to repair. That's not least because estimates are just that, and costs can increase once work starts. With older cars, obtaining parts can also be an issue.

With the estimate from Mr B's garage being around £3,000, even if the engineer had felt the market value was £4,000, I think Zurich would still have chosen to view the car as uneconomical to repair. With Zurich seeing the market value as £3,000, I think its decision on economy and settling with Mr B based on the market value so he could keep the car, was fair and reasonable.

### **My final decision**

I don't uphold this complaint. I don't make any award against Zurich Insurance PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 November 2023.

Fiona Robinson  
**Ombudsman**