

The complaint

Mr G complains about Advantage Insurance Company Limited's ("Advantage") delay in dealing with his claim under his motor insurance policy. He also complains about their decision to declare his car a total loss rather than carrying out repairs.

What happened

Mr G's car was involved in an accident, which he reported to Advantage. Mr G says, although repairs were approved by Advantage twice, they couldn't find a garage with capacity to handle the repairs. Mr G says this led to delays, but he complained after Advantage informed him, they'd now decided to declare his car a total loss.

Advantage responded and accepted there had been delays and explained the availability of repair bookings is being impacted by the unavailability of parts meaning repairs are taking longer. Advantage explained photos of Mr G's car were assessed again and they decided the car was uneconomic to repair. Advantage explained they referred the matter to their Senior Technical Engineer who assessed the damage to the car and was of the view it wasn't economical to repair based on the repair costs of £5,544.94. Advantage acknowledged that they'd provided Mr G with conflicting information about the repairs. They also accepted there had been delay so they sent Mr G a payment of £250 as compensation. During our investigation, Advantage paid Mr G a total loss settlement amount of £5,191.02. Mr G feels this is unfair as he arranged his own independent assessment of his car which found, not only that his car was repairable, but that it could be repaired for less than the repair costs quoted by Advantage.

Our investigator looked into things for Mr G. She thought Advantage should pay Mr G a cash in lieu settlement in line with the repair costs quoted by Mr G's garage, and also increase their offer of compensation to £500. Advantage haven't responded so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters.

I think it's important to stress I've made my decision based on the information I have. I can see our investigator has provided Advantage with details of the complaint being made against them and allowed them a number of opportunities to provide information. It's important that we get an account from all parties in order to consider the complaint fully. In this case, while Advantage haven't provided a response to a number of queries raised by our investigator, I'm satisfied we've taken sufficient steps, and given sufficient time, to enable them to respond. I must be fair to both parties and don't feel it's reasonable, in this case, for Mr G to have to continue waiting for an answer to his complaint.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I'll focus on what I consider to be the crux of the complaint and the main areas of dispute. The main dispute here relates to Advantage's decision to declare Mr G's car a total loss. Mr G says this is unfair as his car is low mileage, in excellent condition and only has cosmetic damage. Mr G also feels it's unreasonable for Advantage to inform him twice that they've arranged for his car to be repaired, to then change their mind and declare his car a total loss without even inspecting it. So, I've thought about whether Advantage's decision here is fair and reasonable.

There's no dispute between the parties that, following Mr G's report of the incident in September 2022, Advantage originally arranged for Mr G's car to be repaired. Advantage confirmed this twice - once in September and again in October. But repairs don't proceed due to Advantage's garages being at full capacity, and unable to take on this work. Then, in November, Advantage contact Mr G and say they've decided to write off his car. They say Mr G's car has been deemed a total loss based on a report received from their in-house repair tool engineers as Mr G's car's damages had been added to this tool and reviewed by the engineers. They also say their Senior Technical Engineer, who assessed the damage to the car, was of the view it wasn't economical to repair based on repair costs of £5,544.94.

Mr G's motor insurance policy booklet sets out the terms and conditions and defines 'total loss' as, "*If your car can't be repaired or the cost of repair is uneconomical, your car will be declared a Total Loss.*" The terms and conditions allow Advantage to decide how to settle the claim, and this includes paying for any repairs or paying the market value of a car immediately before the loss. In this case, Advantage say they've decided Mr G's car is a total loss based on the repair costs – meaning it's uneconomical to repair. I've looked at the repair schedule arranged by Advantage, but while this lists all parts requiring repair or replacement, the costs and amounts have been redacted. I can see Advantage sent this to Mr G upon request, and this is the same copy Mr G has forwarded to our service. So, it might well be the case Advantage redacted the costs due to the information being commercially sensitive. But Advantage haven't sent our service an unredacted copy, so I'm not able to verify the repair costs.

On the other hand, Mr G has provided a copy of a repair schedule from his own garage, and this quotes a total amount of £4,110.49. It's clear there's a difference in repair costs between the two schedules, and this is largely down to there being a significant difference between the items listed as requiring repair or replacement. The number of parts listed in Advantage's schedule is more than double the number of parts listed in Mr G's garage's schedule. So, I've carefully considered all information to decide which I find more persuasive. And in this case, I find Mr G's garage's report more persuasive. I say this for a number of reasons.

Firstly, Advantage say they referred photos showing the damage to Mr G's car to their engineer and they've provided an indication of the required repairs and associated costs. Mr G's garage have inspected his car, so I'm persuaded their assessment of the parts and damage is more reliable. In addition to this, I can see Mr G's garage's schedule of repairs has been sent to Advantage, but they haven't provided any response or at any point challenged the findings or explained why they can't consider this schedule. I acknowledge it's for Advantage to decide how they settle Mr G's claim – and the terms and conditions allow this. But, given there's a schedule here prepared by an independent expert, I think it's important in the circumstances for Advantage to provide reasonable grounds for why this schedule shouldn't be considered. And given I haven't seen any reasons or challenges from Advantage, and the information shows Mr G's garage has carried out a full assessment of Mr G's car, I don't think it's unreasonable to use the findings from this repair schedule.

I'm persuaded by Mr G's garage's repair schedule, so I've now gone on to consider whether I think Advantage's decision to deem Mr G's car a total loss is fair and reasonable. I can't see the policy booklet specifically defines what percentage of the market value of Mr G's car the repair costs will need to be in order to deem it beyond economical repair. It's industry practice that an insurer will consider writing off a vehicle if the repairs cost around 60-70% of the market value. I can see our investigator has looked at a motor trade guide which has provided a valuation of £6,670.

So, taking into account Mr G's garage's repair costs, the repairs represent 62% of the market value of Mr G's car. This is within the range I've mentioned above for an insurer to deem a car a total loss, but in the circumstances of this case, I don't think it's reasonable for Advantage to do that. I say this because Mr G has provided evidence from the garage which says they believe it's possible to straighten the centre section of his car's exhaust, which would reduce the repair costs by around £1,000. So, taking this into account, this would bring the repair costs below 60% of the market value of Mr G's car. I accept that it can't be said with absolute certainty whether Mr G's garage will be able to straighten the centre section of the exhaust, but I think it's fair to factor in there's a possibility of this – particularly as Advantage haven't provided any evidence to challenge this, or otherwise any information or reason as to why this schedule shouldn't be considered.

Turning now to the steps I think Advantage should take to put things right. I can see Mr G believes Advantage should pay him cash in lieu of repairs to settle his claim. This means Advantage won't be involved with the repairs and instead will pay Mr G cash in order to get the repairs done himself. I accept the terms and conditions allow Advantage to choose how they settle the claim under the policy, but our service would expect an insurer to be flexible and allow a consumer to use their own repairer if they want to. In this case, Advantage has had an opportunity to arrange repairs, but their preferred garages didn't have capacity. And, as mentioned above, they haven't provided any evidence to persuade me why Mr G's garage's schedule – and their opinion that Mr G's car should be repaired – isn't reliable. Mr G has explained his garage can carry out the repairs, so I think it's reasonable in the circumstances here for Advantage to pay Mr G cash in lieu of repairs in line with the repair schedule prepared by Mr G's own garage.

I acknowledge Advantage have paid Mr G £250 compensation for the service he has received. The key facts about this part of the complaint aren't in dispute. Advantage have admitted they got things wrong when a failure in their instructions being referred to their agent led to delays in the progression of the claim and providing Mr G with conflicting information about the damage to his car and the outcome of this. They also accept they failed to manage Mr G's claim effectively. I've thought carefully about the impact on Mr G, but I don't believe the compensation offered goes far enough to recognise the impact.

Mr G was caused a significant level of frustration and confusion when Advantage changed their decision from a repair to a total loss. I acknowledge there might be occasions where material information comes to light, or further information is received which changes an insurer's decision. But in this case, it appears Advantage made their decision on repairs based on photos provided by Mr G, and then decided on a total loss based on the same photos.

I can't see what material new information Advantage received or took into account which made them change their decision. I'm not saying it's unreasonable for an insurer to change their decision – but rather it's caused significant frustration and confusion here for Mr G who understandably continued to query why it took over two months to reach this decision based on the same information. So, I think it's fair and reasonable for Advantage to increase their offer of compensation to £500.

Putting things right

I've taken the view that Advantage have acted unfairly in deeming Mr G's car a total loss. So, Advantage should pay Mr G a cash in lieu of repairs settlement in line with the repair costs quoted by Mr G's garage's schedule of repairs dated 30 January 2023. Given this is for repairs, Advantage must take steps to update any internal or external database to ensure there's no record of Mr G's car being a total loss. I can see Advantage have already paid Mr G the total loss payment which Mr G confirms he has retained in full. So, I don't think it's unreasonable for Mr G to use this amount in order to arrange the repairs with the additional amount being returned to Advantage. Advantage's errors have also caused Mr G significant frustration and confusion. So, in addition to the £250 already paid, they should increase their offer by an additional £250 – bringing the total compensation for this complaint to £500.

My final decision

My final decision is that I uphold the complaint. Advantage Insurance Company Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 November 2023.

Paviter Dhaddy
Ombudsman