

The complaint

Mr H complains Skyfire Insurance Company Limited ("Skyfire") undervalued his car after it was declared a total loss under his motor insurance policy. He also complains about the service he received, and that his car was disposed of without his consent.

What happened

Mr H has comprehensive motor insurance with Skyfire. The policy started in September 2021.

Mr H says he reported his claim to his insurer in May 2022. He expected his car to be repaired so took photographs and made a video of the damage before the vehicle was taken by the recovery company.

Mr H was told his vehicle would be taken to approved repairer but it wasn't. Instead it was collected by the salvage company bypassing the approved repairer.

In June 2022 Mr H was told his vehicle would be written off and he was offered £4,000 initially, and the offer increased to £5,000. Mr H says he declined the offer and was instructed to supply images of similar vehicles that were available at the time.

Mr H sent the information to Skyfire but didn't receive a response. In August he says he was presented with three valuations ranging from £6,050 to £6,608; and was offered £6,266 plus compensation for £125.

Mr H requested estimates from approved repairers and the engineer's report. Mr H didn't agree with the report provided and so asked that an independent engineer carried out an assessment. But Skyfire refused.

Skyfire accepted it took too long to deal with Mr H's concerns and complaints. So, it offered him £125 but Mr H says the offer is inadequate.

Mr H says his vehicle has been undervalued and he's unable to replace his car with the settlement he's been offered. Mr H obtained his own report as to the repairs to his car and the estimate is £3,000 less than that of Skyfire. So Mr H says Skyfire's report is fraudulent.

Mr H no longer had access to the courtesy vehicle which caused him financial hardship. Mr H says the whole matter has affected his life and he's been unable to work due to the stress caused. He wanted Skyfire to repair his vehicle but it didn't, and then it offered him less than the market value to replace the car. Mr H says he lost £350 excess and 21 years of no claims bonus which he says will affect future insurance premiums.

Because Mr H wasn't happy he complained to Skyfire. He wants Skyfire to pay his costs plus interest for obtaining the independent report, pay compensation for negligence, delays, and stress caused by the mismanagement of the claim. He also wants it to pay for the fuel that

was in the car at the time of the accident, which was around £80, and £8,000 for the valuation shortfall plus interest and compensation for delay.

Skyfire said its in-house engineer assessed the market value of the car and followed the Financial Ombudsman Service's guidelines to ensure a fair valuation. It used three motor industry guides which gave a value of between £6,050 and £6,608 so its offer of £6,266 was an average of the guides. Skyfire increased its offer to the top end of the valuation provided by the guides of £7,000. Skyfire acknowledged Mr H had sent in higher valued listing but it wouldn't be able to make an offer at that level. It also offered £400 for the distress and inconvenience caused. Mr H's car was also salvaged without his knowledge after he'd told Skyfire he wanted to retain it. So Skyfire also awarded £500 for the error. So Mr H's total redress offered was £900.

Mr H wasn't happy with the response from Skyfire so he referred his complaint to this service. One of our investigators looked into things for him. She said she thought Skyfire's decision to write off the car was reasonable based on the evidence she had seen. Our investigator said the valuation of £7,000 offered by Skyfire was reasonable as it was in line with the valuations she had obtained. Our investigator agreed the delays in the handling of the claim were significant and so she upheld this part of the complaint. She also said £500 offered by Skyfire was reasonable to reflect the distress and inconvenience caused by Skyfire arranging for the car to be scrapped. In resolution our investigator recommended Skyfire increase the settlement to £7,000 and increase the compensation from £900 to £1400 given the delays.

Mr H didn't agree. He maintained the valuation for his vehicle was too low, and that the report provided by Skyfire's engineers was overexaggerated. He also didn't agree with the use of trade guides to assess the value of his car. Because Mr H didn't agree the complaint has come to me to decide.

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.

I can see this incident and its consequences have had a significant impact on Mr H. My role here is to look at whether Skyfire acted in a fair and reasonable manner, and within the terms and conditions of the policy in the handling of the claim.

Declaring the vehicle a total loss

Mr H complains that his car wasn't inspected properly before the decision was made to declare the vehicle a total loss. He was told the car was being collected by a repairing garage to undertake the necessary repairs. But that didn't happen. Mr H took some photographs of the damage and condition of the vehicle. One of Skyfire's agents considered the condition of the car and other available evidence, and decided the car was uneconomical to repair and so it was a total loss. This appears to be fair and Skyfire is entitled to do this under the terms of the policy.

It's worth noting that Skyfire's engineers will have expertise in assessing the damage and value of cars. And it wouldn't be in Skyfire's interest to pay for the total loss of a car where it might be economical to repair it.

Given the cost of repairs was significant, especially given the value of the vehicle, I think Skyfire fairly considered it to be uneconomical to repair. As such it's a total loss regardless of whether its repairable. And I think it was reasonable it did that.

Skyfire has provided this service with its engineer's estimate of repairs following its review of the vehicle. Mr H has provided his own report of the required repairs. Mr H's report confirms the car suffered moderate impact damage to the left-hand front and says, *"At the time of our inspection no structural damage to this vehicle was present, nor was any visible steering/suspension damage."* The repairs total £3,169.75 against a vehicle valuation of £6,625. So, almost 50% of the value of the vehicle. I can see from this report there is some recommended work to the vehicle which would likely increase costs further. For example it does also say it would suggest a wheel alignment check but hasn't costed doing so. Co-Op say their estimate includes the cost of the alignment check.

I've considered both reports carefully and I'm satisfied it's fair for Skyfire to rely on the advice of the engineer it instructed. I say this as it's very specific and details the repairs required, as well as the labour costs involved.

Car valuation

This service's role isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied terms of a policy correctly and valued the vehicle fairly. Under the terms of the policy Skyfire must pay Mr H the market value of the car at the time of loss.

Mr H's policy says, *"the insurer will not pay more than the market value of your car at the time of the loss or damage, less the total excesses and any unpaid premium."* The policy defines market value as, *"the cost of replacing your car with one of a similar make, model, age, mileage, and condition based on market process at the time of the accident or loss."*

I need to consider whether Skyfire used the right market value for the car under the terms of the policy. Standard practice is to use industry accepted trade guides which are based on extensive nationwide research of likely selling prices by reputable dealers. I have seen copies of the valuations used by Skyfire.

Skyfire's policy says its approach to the valuation is to reflect accurately the market value of the vehicle prior to the incident. Its starting point is the available guides referred to above. Skyfire reviewed its initial valuation and increased it to an average of the three guides. But Mr H remained dissatisfied so it referred the valuation for another opinion. Following that referral the valuation was increased to £7,000 which is in line with what I've seen in the trade guides.

Mr H complains that Skyfire's figure is lower than the prices he was able to find and he didn't see a comparable car for the price of the settlement value. He provided a number of adverts for similar cars to his own which showed a variance in price. But the variance in price demonstrates that valuing a car isn't an exact science. The guides are based on transaction data – actual selling prices, to give a more realistic indication of a car's valuation than adverts, which don't account for any negotiations that take place over the sale price.

As explained above the guides are based on extensive nationwide research of likely selling prices. So, while individual cars may be advertised at a higher or lower price, the guides give an average value of a car with its specific characteristics. Skyfire offered £4,000 initially, and then £6,608; before ultimately increasing the valuation to £7,000. Mr H remained dissatisfied with the level of settlement. And while I accept there were delays in Skyfire reaching a valuation figure I can't say it has done anything wrong in valuing the car at £7,000. I say this because the offer is based on the guides.

Customer service

I can see Mr H had to contact Skyfire on numerous occasions in order to find out what was happening with his car, and to chase up the repairs to the vehicle. And then found his car had been disposed of. The service provided by Skyfire has fallen short of what I would have expected. Skyfire didn't provide Mr H with updates regarding the vehicle repairs, and there was confusion in the communication regarding whether the car would be written off and why. Skyfire awarded Mr H £400 to reflect the distress and inconvenience caused. I will come back to this point further down.

The car was scrapped when it shouldn't have been

I am sorry to note Mr H's car was disposed of when he had specifically told Skyfire he wanted to keep it. I have seen notes from Skyfire that show there was a hold placed on the car. Unfortunately the car was cleared for salvage and Skyfire accepted the failure in service here. It offered Mr H £500 by way of an apology for what happened. And while I know this won't help Mr H get his car back, it's a fair award to reflect the distress and inconvenience caused to him.

Claim progression

The claim for the damage to Mr H's car remains open and is still progressing. Skyfire has taken some steps in dealing with the claim but I would have expected it to have been more proactive in resolving the claim for Mr H – and to have kept him updated throughout the claim. And so I am upholding this aspect of the complaint.

Compensation

Having reviewed all of the documentation it's clear to me an award is due for the distress this whole episode caused Mr H. I can see there were significant delays in the handling of the claim, and Skyfire disposed of Mr H's car despite him making it clear he wanted to keep it. I can see Mr H has been frustrated at having to chase Skyfire for updates and information. Skyfire offered Mr H a total of £900 for the distress and inconvenience caused. Our investigator recommended Skyfire pay a further £500 taking the total compensation to £1,400. I've thought about this carefully and I think £1,400 is a fair offer given the level of impact the matter has had on Mr H.

I recognise Mr H feels strongly about this and he'll be disappointed with my response. But I think the valuation of the car is reasonable, and the compensation is fair to reflect the level of distress and inconvenience caused.

Putting things right

Skyfire should;

- Pay Mr H £7,000 in settlement of his claim for his vehicle; less any excess or interim payment already made,
- Add interest to the difference at a rate of 8% simple per year from the date of the original settlement offer to when the complaint is settled,
- Pay Mr H £1,400 for the distress and inconvenience caused, less any payment already made.

My final decision

For the reasons set out above I uphold this complaint and direct Skyfire Insurance Company Limited to resolve this matter by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 January 2024.

Kiran Clair
Ombudsman