

The complaint

Mr J complains about how Royal & Sun Alliance Insurance Limited (“RSA”) dealt with a claim he made on his motor insurance policy following a non-fault accident.

What happened

Mr J has a comprehensive motor insurance policy with RSA.

Unfortunately Mr J was involved in an accident. He says it was a low-impact collision and the other car pulled out in front of him. Mr J reported the matter to his insurer.

RSA accepted Mr J’s claim – and explained the car was considered a total loss. So it said it would provide a cash settlement to him. RSA offered Mr J an amount of £1,800.

Mr J is unhappy he wasn’t provided with a courtesy car following the accident, his car wasn’t recovered and says there were delays in dealing with his claim.

Mr J says he wasn’t recompensed for the recovery of his vehicle, or the failure to provide a courtesy car, and RSA failed to pay compensation for suspending his policy.

Mr J wasn’t happy with the service he received so he complained to RSA. RSA said when it decided how to deal with Mr J’s vehicle it compared the car’s market value, using industry accepted guides, against what the repair costs were likely to be. RSA said the cost of repairing the vehicle would have exceeded its market value and so it was deemed a total loss. RSA said Mr J elected to keep his vehicle whilst private repairs were carried out. RSA accepted it failed to notify Mr J that his insurance had been reinstated and apologised. RSA accepted it should have provided Mr J with a courtesy car from the date he reported the accident on 8 November 2022 until 24 November 2022. So RSA awarded Mr J £160 for the distress and inconvenience caused to him. It also paid £192 for the loss of use of the courtesy car.

Mr J wasn’t satisfied with the response from RSA so he referred his complaint to this service. One of our investigators looked into things for him. She thought RSA had acted within the terms and conditions of the policy and thought the settlement RSA had offered was fair. The investigator said Mr J’s policy explained it would base any cash settlement on the market value of the car. Having checked the relevant trade guides, which provide details of market values, she felt the amount offered was fair – and was based on an average of the ones she found. So she didn’t think RSA needed to take any further action.

Mr J didn’t agree. He said he believed RSA had assumed the mileage of his car for the valuation. He also felt he should receive more compensation. Because Mr J didn’t agree his complaint has been passed 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.

The relevant industry rules say that the insurer should handle claims promptly and fairly.

Recovery of vehicle

RSA has accepted there was a miscommunication over the recovery of Mr J's car, the facts of which are not in dispute so I won't repeat them here. RSA acknowledges Mr J could've been provided with a better service. And it apologised for Mr J's car not being recovered.

Mr J asked his neighbour to help him recover his car. And paid him £60 to move his car $\frac{3}{4}$ of a mile to his home. Mr J wants RSA to reimburse him for this amount. But Mr J could have asked RSA to recover the vehicle the following day and it wouldn't have cost him anything.

Mr J was put to a lot of inconvenience by what happened, and I appreciate the frustration and upset this caused him – he should've been able to reasonably expect his car to be collected when he was told it would be, and he wouldn't have expected the collection not to go ahead. Because of this, I'm satisfied that compensation is due to Mr J in the circumstances and I will discuss this further below.

Declaring the vehicle a total loss

Mr J complains that his car wasn't inspected by anyone at RSA before the decision was made to declare the vehicle a total loss. He explained some photographs of the damage were taken the following day. One of its in-house engineers considered those and decided that the car was uneconomical to repair and so it was a total loss. This appears to be fair as RSA is entitled to do this under the terms of the policy.

It's worth noting that RSA's engineers will have expertise in assessing the damage and value of cars. And it wouldn't be in RSA's interest to pay for the total loss of a car where it might be economical to repair it. And it's particularly important in this case that RSA didn't pay too much to settle the claim as liability wasn't in dispute. That means RSA would try to reclaim its outlay – what it's paid to settle the claim – from the other driver's insurer. And if the other insurer thought RSA had paid out more than it needed to in order to settle the claim then it's likely the other driver's insurer would limit the amount it repaid to RSA to the cost of repairs rather than the full total loss settlement amount. So if RSA had any concerns about whether or not the car was economical to repair then it would be in its interest to have a full engineering report done. But where that wasn't in doubt then a full engineer's estimate wouldn't be necessary. And there is no requirement for RSA to incur the costs of such an assessment. So I think it handled the matter fairly.

For completeness I think it would help if I explain that when a car is considered a total loss, there are various categories it might fall into, from being so badly damaged it can't be used for parts to simply being uneconomical to repair. Mr J doesn't think the car should have been written off. But I've seen the report from the engineer. He said the car is a category N total loss. But, whatever category it falls into, RSA is required to update a shared database with information so that any future prospective buyer can find out it has previously been deemed a total loss.

In this case RSA has said the car is a category N total loss, which means it's repairable and has not suffered any structural damage. As I've said above, given the cost of repairs was significant and was in excess of the car's pre-accident market value I think RSA fairly considered it to be uneconomical to repair. As such it's a total loss regardless of whether it's repairable. And I think it was reasonable it did that.

Total loss payment

I've reviewed Mr J's policy documents to see what his policy says about how any claims will be settled. And I can see his policy booklet does say that if Mr J's car is damaged it will settle a claim as follows;

"If your car is lost and never found, or if in our view, it cannot be economically repaired based on its market value we will pay either (a) the market value, or (b) the cost of a replacement new car. Should we choose to pay the market value or purchase a replacement new car, your car will become our property."

Because Mr J's car was considered a total loss RSA decided to give Mr J a cash settlement for his car. So, as above, it would need to do this based on the market value of the car. The policy defines the term market value. It explained that this means the cost of replacing the vehicle with a car of the same make, model, specification, mileage, and age in a similar condition as the car was immediately before the loss or damage.

So I've needed to consider whether RSA has acted in line with these terms, and provided a fair settlement to Mr J, based on the market value of his car.

RSA said the market value of Mr J's car was £1,800, and it arrived at this figure based on national trade guides. I've looked at these trade guides too to see whether the offer RSA has made is in line with these guides or not. I've done this because using motor trade guides is the accepted industry practice for valuing a car – they are based on nationwide research. Having done so, I can see that based on the make, model, year, mileage, and condition of Mr J's car RSA has provided an average settlement that the trade guides note. So I think the basis of RSA's cash settlement is fair.

I have reviewed the claim notes and can see RSA discussed the claim with Mr J. The notes say Mr J wanted to retain his vehicle. So he was offered £1,800 for his car, less £288 for the salvage amount. And Mr J accepted this offer. So the car became RSA's property and Mr J needed to pay the salvage to retain it. And this is what happened. Had Mr J not wanted to keep his vehicle then the only option open to him would have been to accept the cash settlement offer, meaning he would have received £1,800 for his car but his car would have then belonged to RSA and he would have need to purchase another car with the settlement. Mr J's policy says once RSA has settled a total loss claim then the car becomes its property. And where a policyholder decides not to buy back the car it's usual for an insurer to sell the car to a salvage agent. The salvage agent will then decide how it wants to dispose of the car. But, depending on the damage to the car, that doesn't necessarily mean the car will be physically scrapped. The salvage agent may decide to repair the car and sell it, sell it as it is for someone else to repair, break the car for parts or crush it.

Mr J objects to paying the salvage fee since the car was owned by him. But this is standard practice in the industry. As explained above once the total loss settlement is paid the vehicle becomes the property of the insurer. If the customer wants to retain the vehicle, as is the case here, then they pay the insurer a salvage fee. The vehicle then belongs to the customer.

Repairs

Mr J says the repairs to his vehicle should have been paid for by RSA under the terms of his comprehensive insurance policy. But RSA estimated the repair costs to be in excess of the vehicle's value and so deemed it a total loss. When a car is deemed a total loss the insurer will pay a cash settlement for the vehicle. It won't then also pay for repairs to the car.

Mr J wanted to keep his vehicle so he was paid the settlement minus the salvage fee. He was then able to repair the car himself and I'm pleased the vehicle is now roadworthy.

Courtesy car

Mr J's policy provides for a hire car if he makes a claim on his policy for the duration of the repairs. The policy says if the car has been declared a total loss then the hire car won't be provided.

RSA accept Mr J should have been provided with a hire car from the date the incident was reported to the date the car was deemed a total loss. So it made Mr J a loss-of-use payment. This was £12 for 16 days between 8 November 2022 and 23 November 2023 which totalled £192. And I think this is reasonable in the circumstances and in line with our approach.

Suspension of policy

When Mr J decided to keep his car RSA suspended its cover to when the repairs were completed and Mr J could show the car had passed its MOT and was roadworthy. Unfortunately there was some delay in letting Mr J know the policy had been reinstated in writing but Mr J was told on the phone on 9 December 2023. So I'm satisfied RSA acted fairly and promptly here.

Customer service

I can see that not everything went smoothly following Mr J's claim. In particular he had to call a number of times to get updates on his claim, his car wasn't recovered, and he wasn't provided with a courtesy car as per the terms of the policy. RSA accepted that in its response to Mr J's complaint and it paid Mr J £160 in compensation – which is fair and reasonable in the circumstances and in line with what I would have suggested had an offer not already been awarded.

I should explain that awards of compensation that this service can make aren't intended to fine or punish a business. we can award fair compensation that's an appropriate reflection of the impact a business's actions have had on its customer.

I recognise Mr J feels strongly about this and he'll be disappointed with my response. Mr J remains unhappy and believes RSA haven't treated him fairly. But based on everything I've seen I think RSA has done enough to put things right here.

My final decision

For the reasons set out above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 August 2023.

Kiran Clair
Ombudsman