

## **The complaint**

Mr S complains AA Underwriting Insurance Company Limited (AA) unfairly delayed the settlement of his claim when his car was classed as a total loss.

## **What happened**

On 23 October 2022 Mr S's car was damaged when a tree fell onto it during a storm. He made a claim on his motor insurance policy.

The car was deemed to be beyond economic repair. AA made a settlement offer for the car at the end of October 2022. The settlement amount was disputed by Mr S. The settlement was paid to Mr S at the end of November 2022

In late December 2022 AA reviewed its offer and found it to be unfair and raised a further payment to Mr S.

AA accepted there had been delays which had caused inconvenience to Mr S whilst he was waiting for the settlement paid to be reviewed. It paid him £200 compensation for this.

As Mr S was not happy with AA, he brought the complaint to our service.

Our investigator did not uphold the complaint. They looked into the case and said AA did offer market value for the car but there were avoidable delays. They said as AA had acknowledged this and paid £200 redress, that this was fair and in line with our guidance.

As Mr S is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

## **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 considered whether AA acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr S following the decision to treat his car as a total loss. My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I looked at the details within Mr S's motor insurance policy with AA. In this case on page eight of the policy terms and conditions it says;

*"Market Value - The cost of replacing the Insured Car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss."*

On page nine it says;

*"The maximum amount payable will be the Market Value of the Insured Car."*

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use trade guides

to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor trade guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

In this case AA told Mr S of its decision that the car was classed as a category N write off and made a settlement offer of £4,190 on 31 October 2022. I saw Mr S emailed AA the day after and he said he was surprised the car was not repairable but understood there was quite a lot of repair work to do, and so he understood this. However he queried the settlement amount offered.

I considered if AA fairly determined Mr S's car as a total loss. I looked at the report that was undertaken by AA's approved engineers. The report said the car was repairable. However it said it was not economical to repair and recommended the car was treated as a total loss. It said it should be registered as a category N loss.

I saw on AA also gave Mr S an alternative settlement offer which included retaining the salvage of the car.

On 18 November 2022 Mr S accepted the settlement offer of £4,190 whilst his contest about this amount was being reviewed. And I saw this was paid to him before the end of November 2022.

I saw it took AA until 22 December 2022 to review Mr S's dispute about its settlement offer. It said it had found one of the valuations it had used was significantly lower than the other and so it had reassessed the market value using another guide. It reassessed the valuation as £4,745 and paid him the outstanding settlement balance of £555.

I looked at the valuations our investigator obtained. They used two of the main trade guides, giving a similar, very slightly lower, valuation to AA's final offer of £4,745

As per the terms of Mr S's policy AA only have to offer him market value for the car that has been deemed a total loss. The market value is at the date of loss.

For the reasons given I'm not persuaded that AA have acted unfairly or unreasonably in settling his claim at £4,745. I agree the amount paid for Mr S's car is fair and in line with the main trade valuation guides. And I can't fairly ask AA to increase its valuation offer.

However I do agree that the time between AA's first settlement offer and its final settlement payment to Mr S could have been completed sooner than it was.

I saw in January 2023 AA accepted it had caused delays. It said the review of the initial settlement offer made should have been assigned to a team leader and it had not been. It apologised to Mr S and paid him £200 compensation for the delay and inconvenience of waiting for the review process to be completed.

I saw Mr S does not think this was enough. He said he bought a new car before he was given the increased settlement and now found the car was problematic. He said he would not have bought this car if he had received a correct valuation initially.

I understand Mr S was dealing with a family illness at the time of his claim and so it was already a difficult time for him. However I consider the £200 paid to be a fair and reasonable

offer in the circumstances of this complaint. And it is in line with our services guidelines. I cannot hold AA responsible for any issues with a new car.

Although I know it will be disappointing to Mr S, I do not uphold his complaint and do not require AA to do anything further in this case.

### **My final decision**

For the reasons I have given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 December 2023.

Sally-Ann Harding  
**Ombudsman**