

The complaint

Mr B on behalf of business 'P' has complained about the total loss settlement offered by Covea Insurance plc paid when he made a claim under his motor trade insurance policy.

What happened

Mr B's car was damaged in an incident and he made a claim to his insurer, Covea. Covea said it wasn't economical to repair Mr B's car and declared it a total loss. Mr B decided to keep his car and paid for repairs.

As Mr B's car had non-structural damage, Covea categorised the write off as 'N' (previously called a category 'C'). At this stage Mr B had decided not to proceed with his claim. He arranged his own repairs to the car. Mr B says he discovered the marker when he submitted details of the car online to sell. He raised a complaint with Covea. He said he was unhappy with the settlement sum it had offered to deal with the claim, the salvage fee and the marker.

Covea considered adverts Mr B provided for similar cars and increased the total loss settlement to £5,000. It said that as Mr B has kept the car, it would deduct a salvage fee from the settlement along with the excess.

Mr B was unhappy with the salvage fee as it had increased when the total loss settlement sum increased. He didn't think this was fair. Mr B wanted a final sum of £4,000. Covea said the settlement of £5,000, deducting a £1,300 salvage fee and the excess of £500 was fair and in line with the policy.

Mr B didn't agree and asked us to look at his complaint. Our Investigator thought the total loss settlement had been reached in a reasonable way by Covea. But he thought Covea had overestimated the repair costs - and as it had initially undervalued Mr B's car - he thought it had unfairly applied a marker to write off the car. The Investigator thought that had Covea correctly valued Mr B's car at the outset, it would have been repairable and so he recommended Covea remove the marker recorded against the vehicle.

Covea didn't agree. It said with the higher valuation, the repair costs would have still meant it was entitled to write off the car as it wasn't economical for repair.

Mr B said he wants Covea to pay a fair settlement for the car. He said he paid £2,400 for the repairs.

I issued a provisional decision on 6 September 2023. I didn't intend to uphold the complaint.

In response, Mr B says Covea didn't offer to deal with his claim until this service got involved. He says Covea hasn't acted honourably, but he is willing to accept my provisional decision on condition of actions he wants the broker to take about a refund of premium.

As the broker is a separate business to the insurer, Covea, I cannot consider Mr B's request to accept my final decision on condition of any action he wants the broker to take. Mr B will need to contact the broker directly with his request.

Covea didn't reply to my provisional decision. So the case has been passed back 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.

As I haven't received any new information to change my view, my final decision is along the same lines as my provisional decision.

We don't decide a valuation, but we look at whether an insurer reached its valuation reasonably and in line with the policy.

Mr B's policy with Covea says the most it will pay in the event of a claim is the trade value of the car at the time of loss. Covea's appointed engineer initially suggested a trade valuation of £3,050 for Mr B's car, based on one of the main motor trade guides.

Our approach is to look at all of the available motor trade guides to reach a fair valuation. And having done so, this showed that Covea's increased valuation offer of £5,000 is within the range of the available guides. So I think as a starting point, this sum has been reached in a fair way and in line with the policy.

If an insurer pays a total loss settlement, the car becomes the property of the insurer - unless a customer wishes to keep it. There is nothing wrong with this, but the insurer is entitled to deduct a salvage fee to reflect what it would otherwise have received for the salvage after paying a settlement for the vehicle. Covea has provided its salvage rates to this service so that we can see if it has applied the fee of £1,300 fairly. This is commercially sensitive information and so cannot be shared with Mr B.

It isn't for us to interfere in any commercially sensitive agreements an insurer may have with a salvage agent. But we can look at whether an insurer has treated a customer fairly and as it would any other customer in the same circumstances. Having reviewed the information provided by Covea, I'm satisfied it has done so. This means I think it's reasonable for Covea to deduct a salvage fee of £1,300 from the total loss settlement of £5,000. And as the excess is payable when making a claim, it is also fair for Covea to deduct £500 from the settlement sum.

According to the severity of the damage, a written off car will be given a category which an insurer will record under a voluntary code agreed between the Association of British Insurers (ABI) and salvage dealers. It isn't unusual for an insurer to decide a vehicle is a write off if the repair costs are over 60% of the valuation amount for the vehicle.

Mr B says he repaired his car for £2,400. I haven't seen evidence of this. I've looked at the engineer's report which estimated the repair costs at £3,104 including VAT. In this case, as the repair costs quoted by the engineer are over 60% of the final value Covea gave for Mr B's car, I can't say that Covea unreasonably applied a category marker.

Mr B says he wasn't made aware that Covea had applied a category N marker. Covea provided a copy letter dated 7 March 2022 addressed to Mr B which confirmed Covea had applied the marker. Covea says it sent a letter to Mr B as he hadn't responded to previous mails confirming the same - including how to make a claim. I appreciate Mr B says he didn't receive it, but I'm satisfied it was sent by Covea.

Covea says it knows Mr B received its email dated 13 December 2021 setting out the details, as he replied to this email on 21 June 2022 requesting an update on the claim.

From what I've seen, I think Covea has dealt with Mr B's claim fairly. I think the trade valuation of £5,000 has been reached in a reasonable way and in line with the policy. I think it is fair for Covea to deduct a salvage fee of £1,300 and apply a category 'N' marker.

My final decision

I'm sorry to disappoint Mr B. But my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 7 November 2023.

Geraldine Newbold
Ombudsman