

## **The complaint**

Mr C complains about how KGM Underwriting Services Limited ("KGM") handled a claim under his motor insurance policy. When I mention KGM I also mean its suppliers, engineers and approved repairers.

## **What happened**

The background to this complaint is well known to both parties, so I'll only provide a summary here. I'd like to assure Mr C and KGM that I've carefully considered all the information we have on file relating to this case.

Mr C had a motor insurance policy with KGM covering his car.

In early February 2023 Mr C drove his car into his garage door, causing damage to his car. He made a claim from KGM.

KGM sent an engineer to inspect his car. The engineer thought that Mr C's car would be written off as the repairs were a significant part of its market value. KGM offered Mr C the salvage if he wanted to retain it and get it repaired himself.

Mr C says the engineer grossly undervalued it. He says that the undervaluation meant KGM decided the car was beyond economic repair.

The engineer re-valued his car at £7,500 but Mr C thought it was worth £8,000, having bought it about a year before.

Given the higher valuation, KGM decided it could repair the car and it was taken to one of KGM's authorised repairers. There was a delay waiting repairs to be authorised and started.

Mr C complained about the lack of progress. The repairer then declined to deal with Mr C anymore and asked to send his car back.

Mr C decided he didn't want to deal with KGM further and he asked for a cash settlement. KGM said it would pay him £3,292.72 and, if he produced a VAT invoice for the repairs, it would add VAT to this. It also said it would waive his excess.

Mr C made a series of complaints during the process. He remained unhappy and brought his complaint to this service. He's unhappy due to three months stress and worry and having no transport. He asks for punitive compensation of £3,000 against KGM and that he receives £4,875 for the repairs. He intends to pursue the matter further in court if he doesn't get what he asks for.

Our investigator looked into Mr C's complaint and thought it wouldn't be upheld. He said he thought KGM had acted fairly.

Mr C didn't agree with the view. So his complaint has been passed to me to make a final 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.

Mr C has made a detailed series of comments and questions in later correspondence with this service. If I've not commented on, or answered, his questions in this decision then it's not because I mean any disrespect. The informal nature of this service allows me to focus on the areas of his complaint I think are at the crux of the issue.

This service has no authority to have KGM pay any punitive damages as Mr C has demanded. This is an independent resolution service, not a court of law. What I can do is award compensation if I consider KGM caused Mr C distress or inconvenience. These awards of compensation are not punitive nor are they fines against any business either.

If Mr C doesn't accept my decision then he's free to pursue action in court and he should seek legal advice if he wishes to do this.

There are elements of Mr C's approach to this service relating to KGM's responses to his complaint. Complaint handling isn't a regulated activity so I'm not able to consider the specifics of that in this decision. I can see KGM provided its final response to Mr C within the eight weeks allowed.

### ***Claim delay***

I've looked at a timeline of the events after Mr C collided with his garage door and I can see that the initial engineer visit and valuation took about eight days to be carried out. I'd normally expect this to happen within a week.

That valuation resulted in a figure Mr C has described as grossly undervalued. I've looked at the report and I can see the valuation was based on trade guides, which is in line with this service's guidelines.

Mr C's car was going to be written-off by the engineer because the anticipated cost of repairs was a significant portion of the market value of the car. We'd normally say insurers are able to do this at about 60-70% of the car's value.

This position was reversed when Mr C pointed out the price he'd paid for his car and the engineer re-appraised it. Because the value was now significantly higher, the relative cost of repairs was lower, so the car didn't have to be written-off.

I know Mr C found this frustrating but the nature of car repairs means that sometimes repairs can start and then a car be written-off; and sometimes the reverse can happen as in this case.

Looking at the timeline, I can see the second appraisal took some time to be arranged and carried out. I can see this added about two weeks to the process.

KGM then appointed a repairer and told Mr C about this. I can see he asked several detailed questions about his options at this point, as KGM had also said he could arrange for repairs himself.

It's important I mention this because some of the delays were because Mr G didn't want to communicate by phone and felt he could give a faster response by email, as well as keeping records. It's Mr C's choice to do this, but he should realise that businesses might not be set

up in that way. What I mean by that is that Mr C complains about the service not being fast enough and sometimes the fastest way to get things done is to follow the processes that have been put in place in order to handle many customers making a claim.

There was a further two-week delay waiting for the repairs to be authorised by KGM. Shortly after this happened, the repairer refused to carry out the work for Mr C. I'm not going to go into this further here. It's the choice of an organisation to agree to carry out work for a customer, or not. I can't reasonably hold KMG responsible for its supplier's choice.

About one week later, the repairer still had Mr C's car. He then asked for settlement in cash.

Looking at the timeline, I think KMG is reasonably responsible for between three and four weeks worth of delay to the claims process – caused mainly by the second engineer's visit and the delay in authorisation of the repairs. The repairs were authorised almost exactly eight weeks after the collision.

### **Settlement figure**

Mr C's car was assessed by its repairer and the cost to repair the damage was set at £3,292.72 plus VAT; making a total of £3,951.26.

It's important Mr C realises that his policy is one that pays out on an indemnity basis. What that means is that KGM will either repair or pay for the cost of repair of his car. Under the terms of its policy it says:

*"As an alternative to repairing your vehicle, we may deem it appropriate to... pay you a monetary amount equal to the cost of repairing the damage less any policy excess which is applicable."*

Because Mr C wanted to arrange the repairs himself, KGM's liability under its policy is to pay him the amount it could have paid for the repairs, which in this case is £3,292.72, less his excess.

I can see it's said it would also pay VAT if Mr C is able to provide evidence of it being paid. It's fair that KGM say this, but I would also say that if Mr C is unable to pay for the repairs upfront then KGM should step in and make arrangements with Mr C and his chosen repairer directly.

Mr C has asked for a higher figure than this, and I can see during his correspondence he's chosen to use various figures provided to him during the course of the engineers' assessments and the repairer's detailed cost breakdown.

But the fair amount is £3,292.72 for the reasons I've said above.

### **Service**

A significant part of Mr C's complaint is about the KGM's lack of responses to him throughout his claims process. I can see he's repeatedly required same-day responses, or quicker, from a range of respondents across the companies handling his claim. I've said above that businesses have their processes and they've been found to work across a range of customers making claims. I appreciate Mr C finds that these processes don't work to his standards, but that doesn't make KGM's actions unfair or unreasonable.

I've read the file and I can see there were times when it could have responded quicker, but I can also appreciate its staff were trying to respond to Mr C's detailed questions while trying

to help other customers. Mr C's approach seems to have been to demand he was treated as a priority and I can't say that he's acted fairly by choosing to take the approach he did.

I've thought about the impact of this on Mr C. I have said above that I think KGM were responsible for an extra three to four weeks' delay early in the claim and I can appreciate the inconvenience of that on Mr C. I've also considered the slow responses to some of his questions. I've looked at this service's guidelines on compensation and KGM's offer to waive Mr C's excess. In its final response to him, KGM say this amount is £250. I asked KGM about this and it has clarified that there was an error in this letter and it will waive Mr C's full excess, which is £250 compulsory plus £250 voluntary, so a total of £500.

Taking everything into account, I think KGM's offer to waive his excess is fair and reasonable in respect of any distress and the inconvenience it caused him, and I'm not going to ask it to do more.

Mr C has said he is willing to pursue this matter further in court, and that is his right.

### **My final decision**

KGM has already offered to settle Mr C's claim for £3,292.72 (plus VAT subject to proof as I mention above) and waive his excess of £500.

I think this offer is fair and reasonable in all the circumstances.

So my decision is that KGM should pay Mr C £3,292.72 to settle his claim and complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 December 2023.

Richard Sowden  
**Ombudsman**