

## The complaint

Mr K complains about how Tesco Underwriting Limited (“Tesco”) valued his car and then made a deduction following a claim under his car insurance policy.

## What happened

Mr K had a motor insurance policy with Tesco covering his car. In August 2023 his car was damaged by a loose item falling from a third-party vehicle.

He reported the claim to Tesco. It assessed the damage and declared it a write-off.

It valued Mr K’s car at £2,129. Mr K wasn’t happy with its valuation and he complained.

He brought his complaint to this service. Our investigator looked into Mr K’s complaint and thought it would be upheld. She used trade guides to arrive at a value and said it should be £2,625, plus interest at 8% simple.

Mr K agreed with the valuation. But Tesco said the £2,625 would be subject to deductions for pre-accident damage. It said it would deduct £410 for this, which fell into two categories. Some was for scratches and some for two areas of rust.

Mr K didn’t accept Tesco’s deduction. Because he didn’t agree, this complaint has been passed to me for 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.

I’m upholding Mr K’s complaint and I’ll explain why.

The collision was to the right-hand side front corner and windscreen. Mr K reported that he took avoiding action, hitting a hedge on the left-hand side of the road. Tesco accepted that some scratches were caused by his avoiding actions. In later correspondence Tesco sent Mr K a cheque for £163.28 in respect of these scratches.

I’ve looked closely at Tesco’s report from its approved repairer and the photos of the two areas of rust, which are small. One is on the left A-pillar and the other on the rear of the left rear door. I can see that it’s likely these areas of rust were pre-existing the collision. It’s for these areas that Tesco has deducted £246.72.

Tesco’s approach, which is normal in the industry, is to base its repair calculations on completing manufacturer standard repairs to bring the car back to retail condition.

However, this service would normally accept that, on older vehicles, it’s likely that consumers would usually choose to seek a cheaper repair. We’d normally say it’s reasonable for insurers to deduct some of the costs for pre-accident damage, but not all. Mr K had told this service he’d expect to ‘touch-in’ these areas using a paint stick widely

available for about £10.

As Mr K's car was about 14 years old and had covered a commensurate mileage, I think it's fair to say that a normal amount of wear and tear is to be expected. And I think it's the type of wear and tear which, usually, wouldn't necessarily impact the price someone was willing to pay for the vehicle.

So it follows that I don't think it's fair of Tesco to deduct the price it would expect to pay commercially for repairing the two rust areas.

Mr K has said he'd have expect to pay about £10 to fix it if he was keeping the car and he's sent this service evidence of the product he'd use. So it follows that I think it's a fair adjustment to deduct this amount from his market value.

### **My final decision**

My final decision is that I uphold this complaint. I direct Tesco Underwriting Limited to settle Mr K's claim at a market value of £2,615 subject to the terms and conditions of the policy. Interest at 8% simple should be added from the date his car was declared a total loss to the date payment is made. If interim payments have been made these can be deducted.

If Tesco considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr K how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 13 March 2024.

Richard Sowden  
**Ombudsman**