

The complaint

Ms L complains about the settlement Liverpool Victoria Insurance Company Limited (LV) paid her after she made a claim on her caravan insurance policy. She wants it to pay her the settlement she would have received if the motorhome had been deemed to be a total loss.

What happened

Ms L's motorhome was damaged by another driver, and she thought she had contacted LV to deal with her non-fault claim. But Ms L had contacted an accident management company. It assessed her motorhome and declared it to be a total loss. It valued the motorhome at £9,500 and the repair costs at £7,332.95. Ms L decided to retain the salvage, which cost £1,140. So the settlement offer was £8,360. The company gave Ms L permission to sell the salvage which she did for £1,400.

Ms L was unhappy with the time it was taking to settle her claim, and after eight months, she asked LV to deal with it. LV then assessed the claim relying on the previous engineer's report. LV's engineer thought the motorhome was repairable and it offered Ms L a settlement of cash in lieu of repairs of £6,110.79. This excluded VAT as it would only pay these after it had evidence of the repairs carried out. Ms L was unhappy with this.

Our Investigator recommended that the complaint should be upheld. She thought it was reasonable for LV to assess the claim anew relying on the previous engineer's report. And she thought Ms L had reasonably sought the company's consent before she sold her motorhome. She thought, based on the repairs estimate, it was unfair for LV to pay Ms L cash in lieu of repairs rather than a total loss settlement.

She thought LV should assess Ms L's claim as a total loss and pay her the difference from the cash settlement already paid, less the policy excess and salvage costs, with interest.

LV replied that it was being held to the previous company's decision. It said it was entitled to settle a claim as it saw fit. It said its engineer said the salvage value was £2,847, meaning that the additional settlement would be £542.21, with interest. It said the previous company hadn't recorded the motorhome as a total loss and this would need to be done if the motorhome was declared a total loss.

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 can understand that Ms L wants a fair settlement for the loss of her motorhome. And I can also see that she has been waiting a long time to have her claim finalised. But I can't consider the actions of the claims management company, just LV.

LV agreed to take over the non-fault claim after eight months when the company handling it hadn't obtained a settlement from the other driver's insurer. LV told Ms L that it would assess the claim anew, which I think was fair and reasonable. It couldn't assess the motorhome as it had already been sold. So it relied on the previous company's assessments.

The previous company had provided an engineer's assessment of the repairs needed after the accident and a valuation of the motorhome. And Ms L had decided to retain the salvage, so a salvage value had also been given.

LV said it was entitled by the policy's terms and conditions to settle the claim as it saw fit. And it decided to pay Ms L a sum for the motorhome's repairs rather than the total loss amount she was expecting.

As our Investigator explained, we consider it's industry practice that an insurer will consider writing off a vehicle if the repairs cost around 60-70%% of the market value. This is usually because the cost to the insurer of paying for repairs is more than they'd lose on paying to write-off the vehicle, when also taking account of any amount they make on its salvage. We don't think this is unreasonable.

The repairs estimate provided by the previous company was 77% of the motorhome's market value at the time of its loss. LV said that it thought the motorhome was repairable and it estimated the repair costs, without VAT as the repairs hadn't been carried out, as about 64% of the motorhome's market value.

Ms L's policy doesn't state the point when cash would be offered for repairs. LV had agreed to take over the claim. And it had relied on the previous company's engineer's assessments. These clearly made the motorhome uneconomical to repair, in keeping with industry practice. And so I think it wasn't reasonable for LV to decide to pay a cash in lieu settlement rather than declare the motorhome to be a total loss. And I think it should now do this, adding interest to the difference as Ms L has been without her money for some time.

Ms L decided to sell her unroadworthy motorhome early on as she didn't want it remaining on her driveway. And I'm satisfied that she had the consent of the previous company to do this. So I think Ms L took reasonable steps to protect the claim. This was a private cash sale and Ms L has provided a handwritten receipt that states the motorhome has possibly been recorded as a Category S.

LV wanted verification of this sale. But I don't think it's relevant what Ms L did with the motorhome or how much she received as I'm satisfied LV should deal with the claim as a total loss. I note that Ms L accepts that this will need to be recorded and she has warned the motorhome's new owner.

LV said it's deduction for the salvage value was higher than the previous company's. It relied upon its engineer's estimate. But it hasn't verified this for us as we have asked. I would expect LV to prove this to be correct by providing a copy of its arrangement with the salvage company at the time of the claim and evidence confirming that LV would receive this value.

In the absence of this evidence, I think LV's deduction is unfair and unreasonable. And so I'm satisfied LV should deduct the salvage value provided by the previous company from the total loss settlement.

Putting things right

I require Liverpool Victoria Insurance Company Limited to do the following:

1. Assess Ms L's claim on the basis that her motorhome was a total loss and after deducting any applicable excess and the £1,140 salvage value, LV pay Ms L the difference from the cash settlement already paid.
2. Interest should be added to this amount at the rate of 8% simple, calculated from the date that LV paid the first cash settlement to the date of settlement.
3. If LV considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms L how much it's taken off. It should also give Ms L a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue &

Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Liverpool Victoria Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 5 April 2024.

Phillip Berechree
Ombudsman