

The complaint

Y complains Zurich Insurance Plc's handling and settlement of its motor insurance claim is unfair.

Y is a limited company. It's been represented for the complaint. For simplicity I've referred to the actions and comments of the representative as being Y's own. For the same reason I've referred to Zurich's agents' actions as being its own.

What happened

In April 2023 one of Y's vehicles was damaged in a collision. It claimed against its Zurich motor fleet policy. The insurer considered the vehicle uneconomical to repair – so categorised it as a total loss. After some back and forth it offered Y a cash settlement based on a market value of £24,661.

Y wasn't happy with the settlement offer. It said it isn't enough to allow it to purchase a suitable replacement. It felt Zurich had unreasonably considered the vehicle a total loss. It questioned the schedule of repairs that decision was based on.

Zurich said it was satisfied with its estimated repair costs. It didn't change its position on the total loss categorisation. It added its valuation of the vehicle was based on relevant trade guides. So it didn't offer a higher settlement. Zurich said Y's policy doesn't cover cost incurred as result of the vehicle being out of use. So it didn't agree to pay any loss of earnings incurred during the claim process. Finally it apologised for failing to call Y back on occasion. It also apologised for failing to return personal effects within reasonable time. It offered Y £150 compensation for inconvenience experienced.

Y wasn't satisfied so came to the Financial Ombudsman Service. It said it wasn't happy with Zurich's total loss assessment, its market valuation and settlement of the claim and customer service.

Our Investigator felt Zurich's decision to consider Y's vehicle a total loss to be fair. She also found its valuation and settlement to be fair. She accepted Zurich's service could have been better but was satisfied £150 compensation was enough.

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 this is an informal service I'm not going to respond here to every point or piece of evidence Y and Zurich have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

Y's policy covers its vehicle against loss or damage caused by accidental damage, theft, fire. It says the vehicle will normally be declared a total loss if Zurich deems the cost of repairing it as uneconomical.

Y's policy says if its vehicle is declared a total loss Zurich will offer a cash settlement. The policy says in those circumstances the maximum it will pay is the market value of the vehicle less any applicable policy excess. Market value is defined by the policy as the cost of replacing the vehicle with another of a similar make, model, age, mileage and condition at the time of loss or damage. So I've considered if Zurich's offer to settle Y's claim is fair and in line with these terms.

Deciding if a vehicle is economical to repair usually requires consideration of its potential market value. So I've first considered the market value. When doing so we usually check trade guides, adverts and other relevant evidence. We consider whether the insurer has come to a reasonable market value in line with the evidence. We generally find the guides persuasive as they're based on nationwide research of likely selling prices, so they can be more reliable than individual adverts. But as I've said we do consider other evidence.

I've considered valuations provided to this service by four trade guides. These have used the same make, model, age and mileage as Y's car to provide an estimated market value at the time of the loss. The results were:

Guide A: £21,703, Guide B: £21,500, Guide C: £22,926 and Guide D: £22,470.

Zurich's market value is above all of those. In addition it provided other evidence to support £24,661 as a fair valuation. That includes additional valuations and several adverts. The adverts generally show the same model of vehicle as Y's priced above £24,661. But they have significantly lower mileage than the 90,000 of Y's vehicle. Y provided adverts to Zurich that showed a similar pattern. I'm satisfied the key reason for Y's vehicle's lower valuation, than others of a similar age etc, is its relative high mileage.

Y says it can't find a vehicle with similar mileage as a replacement. I accept that will be frustrating. However, the policy definition of market value includes 'similar mileage'. So its fair for the mileage to be taken into account, even if Y is struggling to find one with similarly high mileage.

I've considered Y's point about the battery specification of its vehicle compared to those in an advert Zurich provided. The adverts I've seen are mostly for models with the same battery specification as Y's.

Overall Y hasn't provided enough evidence to persuade me a higher market value would be reasonable. So I'm satisfied, based on what I've, seen that £24,661 reflects a fair market valuation as defined by Y's policy terms.

I've next considered Zurich's decision to treat the vehicle as a total loss. To contest the total loss decision Y has said it intends to provide its own schedule of repair. It hasn't so far submitted one to this service. Nevertheless I've decided to consider the complaint and issue this final decision without allowing further time. This service is intended to resolve complaints quickly and informally.

Y was informed by Zurich in May 2023 that it could instruct its own engineer to provide a report for consideration. So Y's had almost a year to do so. It wasn't until early 2024 that it said it would provide a report. It hasn't provided anything yet. I note Y has reported problems accessing the vehicle. But I feel it's had long enough to provide its own engineers report.

As this complaint has been running for some time now, I feel it best to bring it to a resolution based on the available information. However, if Y does provide an engineer's report, I'd expect Zurich to give it fair consideration.

The policy terms say Zurich will usually consider a vehicle a total loss when it is uneconomical to repair. It's said it doesn't have a fixed threshold when considering estimated repair costs against market value. Instead all cases are looked at individually, taking those two considerations into account – along with the salvage value and potential additional costs that may come to light during repairs. That process and approach doesn't seem unreasonable to me.

In this case Zurich's estimated repair costs were around £16,000 – against a market value of £24,661. That's a ratio of around 65%. That's in line with industry practice – which as far as I'm aware is to consider a vehicle a total loss from around 60-70%. Zurich offered Y retention of the salvage for a £8,988 deduction. And its engineer has noted more damage may be apparent once the car is disassembled. Taking all that account Zurich's total loss decision seems reasonable.

However, Y considers Zurich's repair estimate to be inflated. It says it includes parts that aren't on the vehicle. It feels there's duplication of labour and specialist charges. It says Zurich hasn't evidenced some repairs as being necessary.

I'm not going to set out all of Y's various points. But I've considered those it made to both Zurich and this service. I've also considered Zurich's responses – including explanations from its engineer. Overall I'm satisfied its schedule of repairs is likely reflective of the required repairs and reasonable costs. So I'm still satisfied the total loss decision was reasonable.

Y has raised concern that should it retain the vehicle's salvage there may, as a result of the time taken to resolve the claim, be additional damage. I accept that's possible. However, I consider Zurich's proposed settlement of the claim to be fair and reasonable. It made that final offer in early June 2023. That was only a few months after the loss. Y could have arranged for the salvage to be collected at that point. So I can't say Zurich caused any significant delay to resolution.

Finally Y has asked that Zurich's customer service be considered. Having done so, I'm satisfied the £150 compensation already offered is enough to recognise any inconvenience caused by any poor customer service. As examples it may have missed a call back here and there and taken too long to return items from the vehicle. But from what I've seen it provided detailed responses to Y's many enquiries and concerns. It did that through frequent phone calls and emails. So I'm not going to require Zurich to pay any additional compensation.

My final decision

For the reasons given above, I don't uphold Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Y to accept or reject my decision before 11 April 2024.

Daniel Martin
Ombudsman