

The complaint

Miss D complains about the settlement Ageas Insurance Limited paid her after she made a claim under her motor insurance policy. She's also raised concerns about Ageas' communication with her.

What happened

In July 2023, Miss D made a claim under her motor insurance policy with Ageas after her car caught fire.

Ageas deemed the vehicle a total loss. It offered Miss D a settlement of £627 and increased this to £1,145.50 after she disputed the amount. Miss D says she didn't accept Ageas' offer, but it paid it into her account anyway.

Miss D says she purchased the car for £2,655 only three months before the incident. She couldn't believe it could have decreased in value in such a short time. She felt Ageas should pay her the full value of the car. Miss D says she also asked for the car to be returned to her because the wheels were limited edition and the engine was a sports turbo. These parts were worth a lot of money. However, Ageas didn't agree for its salvage agent to release the car to her. So, she raised a complaint.

Ageas said its engineer had placed a salvage category of B on the vehicle, which meant it was structurally unsafe to repair. It was unable to allow Miss D to retain the vehicle or the salvage as it had a duty of care to ensure the vehicle and damaged parts were correctly disposed of.

Ageas said Miss D was advised that it would not be able to allow her to retain the vehicle during a call in August 2023. It said Miss D had advised that her son worked at the salvage agent holding the vehicle and she would contact them to discuss removing parts from the vehicle. Ageas said this would be an agreement Miss D would need to make directly with the salvage agent.

In response to Miss D's concerns about the vehicle valuation, Ageas said it had based this on industry recognised guidebooks. The guidebooks had given valuations of £2,130 and £2,675.

Ageas said its engineer had noted that the cause of the fire was due to a faulty wiring loom. While the policy didn't cover Miss D for mechanical or electrical failure it would deal with any resulting damage as a result of this faulty part. Therefore, the cost of the faulty part was deducted from the total loss settlement. The cost of the part was £2,265. The deduction was £1,127.50 which represented 50% of the repair costs to return the vehicle to a retail condition. Ageas said it was happy that its valuation of £1,520.50 (subject to the £375 policy excess) represented a fair market value.

Miss D remained unhappy and asked our service to consider her concerns.

Our investigator thought Ageas should increase the pre-accident valuation of the vehicle to the highest of the available trade guides – which had valued it at £3,122. He thought it was fair for Ageas to deduct 50% of the cost of the wiring loom from this as well as the £375 excess. He recommended Ageas pay the additional amount it owed Miss D along with 8% simple interest from the date of the interim payment until the date the additional payment was issued.

The investigator didn't think Ageas was likely to have given Miss D incorrect information about retaining the vehicle salvage. He said Ageas had accepted a manager had failed to call Miss D back about this. But he thought Ageas' apology was enough to put things right.

Ageas accepted our investigator's outcome, but Miss D disagreed. She said she couldn't have known there was a fault with the wiring loom. If she had known, she could have had it replaced for significantly less than quoted. She could have purchased the loom for approximately £300 from a salvage yard and had it changed by her stepson free of charge, but she wasn't given this option because she didn't know it had a fault. She said if the car had burned out completely, there would have been no way of telling where the fault was located, and the insurance would have paid out for the total loss. Both of these things were out of her control and despite only having had the car for three months, she was significantly out of pocket. So, the complaint has been passed 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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

Salvage retention

Miss D says she wanted to retain her car's wheels and engine because they weren't damaged by the incident and were worth a lot of money.

Ageas' engineer categorised Miss D's vehicle as code B (Break) which means it was not suitable for repair, but usable parts could be recycled. I can see Miss D was advised of this in a letter dated 11 August 2023.

Ageas says it wasn't able to allow Miss D to retain the vehicle or the salvage as it had a duty of care to ensure that the vehicle and damaged parts were correctly disposed of. However, Miss D said her son worked for the salvage agent and she would speak to them directly.

Miss D says Ageas told her she could retain the salvage over the phone on 21 August, but in a call later that day she was told she couldn't. Miss D also wasn't called back by a team leader as promised.

Ageas hasn't provided call recordings so I don't know exactly what might have been said. But it seems Ageas gave her the correct information about what would happen the same day. And Ageas has apologised for the team leader not calling Miss D back. Using financial services won't always be totally hassle free and we wouldn't normally award compensation for things that aren't more serious than the normal nuisances of everyday life. I appreciate Miss D may have experienced some unnecessary frustration and inconvenience because of some poor communication from Ageas. But this seems to have been put right fairly quickly. So, I don't think compensation is warranted here.

Market value

The policy's terms and conditions say:

"The insurer will not pay more than the market value of the car at the time of the loss unless the new car benefit applies."

"Market value" is defined as:

"The cost of replacing the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened."

I think it's reasonable for the market value to be assessed as the retail price Miss D was likely to have to pay for a comparable vehicle at a reputable dealer. The fairest way of doing this is by using the standard industry guides. These are based on extensive national research of likely selling prices. They can provide valuations based on the make, model, age, condition and specification of a vehicle.

Ageas says it used two industry guides to value Miss D's vehicle. These gave valuations of £2,130 and £2,675. It appears to have based its valuation on a figure slightly below the higher guide value.

Where there is a dispute about a vehicle valuation our service will check four industry trade guides. One of the guides we use didn't provide any information for Miss D's car. However, one of the guides valued her vehicle at £3,122.

Ageas has accepted our investigator's recommendation to settle Miss D's claim based on this higher figure. I think this is reasonable.

Deduction for wiring loom

The policy's terms and conditions exclude cover for *"loss or damage caused by any mechanical, electrical, electronic computer or computer software failures, breakdowns, faults or breakages."*

Ageas' engineer determined that Miss D's vehicle caught fire due to a faulty wiring loom. So, damage to this part wasn't covered by the policy.

Ageas deducted £1,127.50 from the settlement to account for this. The amount Ageas has deducted is around half of the estimated cost of replacing the part that wasn't covered. So, I don't think Ageas' deduction was unreasonable.

Settlement

To reach a fair settlement, Ageas should take the allowance for the wiring loom (£1,127.50) and the policy excess of £375 from the revised valuation of £3,122. This results in a figure of £1,619.50.

Ageas has already paid Miss D £1,145.50. So, it needs to pay her an additional £474. I also think it would be fair for it to add interest to this at 8% simple per year to compensate Miss D for the time she's been deprived of the funds.

I understand Miss D has lost out financially because of what's happened. She'd paid significantly more for the vehicle than the settlement amount when she purchased it only a few months before it was damaged. I don't doubt she would have arranged for the car to have been repaired if she'd been aware of the fault with the wiring loom. While I empathise

with Miss D, I've needed to think about whether or not Ageas has acted fairly and reasonably, in line with the terms and conditions of the policy. Ageas has agreed to our investigator's recommendation to increase the settlement and pay Miss D compensatory interest. And I think this is a fair outcome to her complaint.

Putting things right

Ageas should:

- Pay Miss D an additional £474 to reflect the increase in the vehicle valuation and
- Add interest to the above at 8% simple per year* from the date the interim amount was paid until the date the additional amount is paid.

*If Ageas considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss D how much it's taken off. It should also give Miss D 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 I've explained, I uphold Miss D's complaint and direct Ageas Insurance Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 17 June 2024.

Anne Muscroft
Ombudsman