

The complaint

Mr and Mrs S complain about how Advantage Insurance Company Limited dealt with a claim against their motor insurance policy. Reference to Advantage includes its agents.

What happened

In summary, in May 2022, the convertible roof of Mr and Mrs S' car was vandalised. They made a claim against the policy. Advantage chose to repair the car. It didn't have a repairer on its approved network who could carry out the specialist repairs. In July 2022, Advantage instructed a specialist repairer who wasn't on its approved network to supply and fit a replacement convertible roof.

In January 2023, Mr and Mrs S noticed water ingress and problems with the repair, in particular, the windows were out of line. In February 2023, the repairer inspected the car. Mr and Mrs S weren't happy with the rectification work proposed by the repairer and didn't want that repairer to carry out any rectification works.

In May 2023, Advantage arranged for an independent engineer to inspect the car. The independent engineer confirmed there was water ingress and that the repaired roof was out of shape above both doors. He said the roof should be replaced with a manufacturer's part. In September 2023, a dealership estimated the repair would cost more than £10,000. In October 2023, Advantage told Mr and Mrs S the car was a total loss.

Advantage said it instructed the original repairer to replace the hood because if it had instructed a dealership to do the work using manufacturer's parts, the car would have been uneconomical to repair. In response to Mr and Mrs S' complaint, Advantage paid £7,939.75 in relation to the car, which was the average value of four valuations it had obtained from trade guides for September 2023 and October 2023 (£7,300, £7,845, £8,003 and £8,611).

Advantage said if it had proceeded on the basis the car was a total loss from the outset, Mr and Mrs S wouldn't have incurred essential repair costs of £1,343.89, so it reimbursed those costs. Advantage offered compensation of £650 in relation to poor service and £281.29 for loss of earnings.

I understand Mr and Mrs S returned the payments of £7,939.75 and £650.

Mr and Mrs S say if Advantage had dealt with the claim properly, the car would have been written off when the initial damage occurred in May 2022. They say they had to spend money on essential repairs to keep the car on the road. Mr and Mrs S say they weren't able to sell or part exchange the car because of the initial damage, poor repairs and subsequent water damage. Mr and Mrs S want a fair valuation of the car and compensation for considerable stress over an unacceptably lengthy period. Mr and Mrs S also want a sincere apology.

One of our investigators looked at what had happened. She didn't think Advantage had acted fairly and reasonably in its handling of the claim. The investigator wasn't persuaded by the valuations Advantage had provided because they weren't the valuations at the date of the incident which led to the claim. She said it's right to look at valuations from 29 May 2022, when the initial damage occurred. The investigator obtained from trade guides the following valuations: £7,710, £8,650 and £9,510. She recommended Advantage increase the valuation to £9,510. She also recommended Advantage increase compensation in relation to service issues by £200, to £850.

Mr and Mrs S agreed with the investigator's recommendation in relation to the valuation of the car. They didn't agree that her recommendation in relation to distress and inconvenience was sufficient. Advantage agreed with the investigator's recommendation in relation to compensation for distress and inconvenience but didn't agree with her recommendation about the valuation of the car. As there was no agreement between the parties, the complaint was 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.

I've taken into account the law, regulation and good practice. Above all, I've considered what's fair and reasonable. The relevant rules and industry guidance say that Advantage has a responsibility to handle claims promptly and fairly. I uphold Mr and Mrs S' complaint and I'll explain why:

The repairs to the car.

- Mr and Mrs S' policy says if the car is damaged because of vandalism or malicious damage, Advantage will pay for any necessary repairs, replace the car, repair the damage or pay the market value of the car immediately before the loss. Advantage chose to repair the car and as there wasn't a repairer on its approved network who could carry out the repairs, it instructed a specialist repairer. It's common ground here that the repairs were not of satisfactory quality.
- Advantage appears to accept it should have decided the car was a total loss at the outset, as it reimbursed Mr and Mrs S' essential repair costs of £1,343.89 they wouldn't have incurred if it had done so. This was a specialist repair. Whilst the policy says Advantage may use parts that aren't made or supplied by the car's manufacturer, the independent engineer who subsequently inspected the car said rectification works should be completed using parts made or supplied by the car's manufacturer. In light of the cost of those repairs, Advantage decided the car was a total loss. I think it should have come to that conclusion earlier.

The valuation of the car

- The policy says Advantage will pay the market value of the car. Market value is defined in the policy as the cost of replacing the car at the time of the loss or damage with one of the same make, model, age and condition.
- This service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy correctly and valued the car fairly.

- Advantage has relied on four valuations: £7,300, £7,845, £8,003 and £8,611. It's standard practice for insurers to use trade guides to work out the estimated market value of a car. I don't think it's unreasonable to do so. The valuations the guides give are based on the advertised prices of similar cars with similar age and mileage for sale at the time of loss. But I don't find those valuations persuasive as the first two are dated September 2023 and the second two are dated October 2023. I don't think those are the relevant dates here.
- I think it's fair and reasonable to consider valuations as at the date of the event which led to the claim - 29 May 2022. That's consistent with the policy wording which defines market value as the cost of replacing the car at the time of the loss or damage. The date of the initial loss or damage in this case is 29 May 2022.
- In accordance with our usual approach in complaints like this, our investigator completed checks on the motor valuation guides and obtained valuations of £7,710, £8,650 and £9,510.
- Advantage's latest offer is £8,168, which is the average of previous valuations obtained initially by the investigator which related to the wrong year. Looking at the three valuations provided by the trade guides for the date of the incident which led to the claim, I'm not persuaded Advantage's offer of £8,168 is fair and reasonable. That's because the trade guides have produced valuations which vary significantly from the lowest to the highest. Advantage hasn't shown why its latest offer is fair or that Mr and Mrs S can replace the car with a similar one for the amount it's offered.
- In these circumstances, to be satisfied Advantage's offer represents a fair valuation, I'd expect to have been provided with other evidence, for example, adverts for sale of comparable cars at the time of the loss or experts' reports, to support a lower valuation. And I'd need to be persuaded such evidence is relevant and more persuasive than simply relying on the highest valuation of the trade guides.
- As Advantage hasn't provided any other evidence to persuade me that a valuation in line with the higher valuations produced by the trade guides is inappropriate, and to avoid detriment to Mr and Mrs S, the highest valuation produced by the trade guides is my starting point. So, considering the overall variation of values produced, and the lack of other evidence provided, I consider a more appropriate fair market valuation would be £9,510. Advantage should proceed to settle Mr and Mrs S' claim based on that valuation.
- Advantage should also pay 8% simple interest on the settlement for the time Mr and Mrs S have been without the money.

Service issues

- There's been considerable delay in dealing with the claim. Mr and Mrs S made a claim in May 2022 but Advantage didn't tell Mr and Mrs S the car was in fact a total loss until late 2023.
- Mr and Mrs S also had difficulties in dealing with the repairer direct. And Advantage mistakenly thought at one point that Mr and Mrs S had instructed the repairer themselves.

- I've noted what Mr and Mrs S have said about their family circumstances and that they were unable to replace a car no longer suitable for their needs while their claim was ongoing. And they had the inconvenience of using a damp car due to the water ingress following the repair. I think Advantage's errors in dealing with the claim caused Mr and Mrs S disruption to their daily life over several months.
- Considering everything, I agree with the investigator that Advantage should increase compensation in relation to Mr and Mrs S' distress and inconvenience by £200, to £850. Advantage has now agreed to do that.
- Mr and Mrs S say compensation of £850 in relation to their distress and inconvenience is insufficient. They have calculated what that amounts to per day from January 2023, when the unsatisfactory repairs became apparent. That's not how we look at compensation for distress and inconvenience. We look at the effect of the errors on the individuals. In this case, I've taken into account the nature, extent and duration of Mr and Mrs S' distress and inconvenience caused by Advantage's errors and I'm satisfied that compensation of £850 is fair and reasonable.
- Mr and Mrs S have asked for a sincere apology. Advantage has already apologised for its poor handling of the claim. I don't direct it to repeat the apology, not least because a forced apology can be seen as insincere.

Putting things right

In order to put things right, Advantage should settle Mr and Mrs S' claim on the basis that the valuation of the car is £9,510 and pay 8% simple interest on any settlement from the date of the claim to the date of payment. It should also pay Mr and Mrs S compensation of £850 in relation to their distress and inconvenience.

The above is on the basis that Mr and Mrs S returned earlier payments by Advantage in relation to the total loss of the car and their distress and inconvenience. If that's not in fact the case, Advantage may deduct the amounts it has already paid to Mr and Mrs S in relation to the total loss of their car and their distress and inconvenience.

My final decision

My final decision is that I uphold this complaint. Advantage Insurance Company Limited should now take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 24 June 2024.

Louise Povey
Ombudsman