DRN-4863107

The complaint

Mr T complains Ageas Insurance Limited (Ageas) unfairly settled his claim on his motor insurance policy after his car was classed as a total loss.

What happened

Mr T's car was involved in an incident In March 2024, and it was classed as a total loss.

Ageas initially made Mr T a total loss settlement offer of £902.

Because Mr T was not happy with Ageas, he brought the complaint to our service.

After the complaint was brought to our service Ageas increased this offer several times. Its final settlement offer was £1,955. Because Mr T wanted to keep the salvage of the car, Ageas said it would deduct 25% from this amount, making the settlement offered £1,466.25.

Our investigator upheld the complaint. They looked into the case and did not think Ageas had fairly settled the claim. They said Ageas had valued Mr T's car at the top industry guide price and would not be asking it to increase this. However the 25% deduction for salvage was not fair as it had not provided any evidence to support this deduction. They said Ageas should make a 12% deduction for the salvage.

As Ageas is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

In this case I have considered whether Ageas acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr T following the write-off of his car.

My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I looked at the details within Mr T's motor insurance policy with Ageas. It says:
"Market Value – The cost of replacing the car, with one of a similar, age, type mileage and condition, immediately before the loss or damage happened."

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use trade guides to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor trade guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

I looked at the information Ageas used when calculating the market value for Mr T's car. I saw it obtained valuations from two of the main trade guides. After making lower offers, Ageas finally offered £1,955 as the market value, which is the highest of these two guides.

I looked at the valuations our investigator obtained. They obtained valuations from three of the main trade guides. The highest of these four valuations was £1,955 and the lowest was £1,290.

Prices of used cars can change on a regular basis. This could be an increase or decrease. This is the reason why we take the approach that if Ageas can demonstrate, that it used a fair process to value the car then we wouldn't interfere with the offer it has made.

Based on the valuations our investigator obtained, I think the market valuation settlement offered for Mr T's car of £1,955 is fair in this case, because it is the highest valuation.

I then looked at the salvage deduction.

I acknowledge Ageas are entitled to deduct a figure where the customer wants to retain the salvage, as in this case. As a service, we expect insurers to justify the deductions it's making, with supporting evidence, and this includes salvage deductions. Insurers should provide us with its salvage agreement information so that we can ensure that it's charging its customers fairly.

Ageas provided confidential information to our organisation by way of its up to date retention table. However this table did not give enough specific detail to support this deduction being fair and there was no supporting evidence available at this time to substantiate how this specific deduction was calculated.

In summary I do not think it fair for Ageas to deduct 25% without further supporting evidence. Mr T accepted the 12% deduction from our investigator's view, and after discussion with Ageas it conceded to the 12 % deduction to bring this case to an end. This means it should deduct only 12% (£234.60) from the market valuation settlement as the cost of the salvage.

Therefore, I uphold Mr T's complaint and I require Ageas to pay Mr T a total settlement of £1,720.40. To recognise the time taken to reach a fair market valuation it should also add 8% simple interest to this amount from the date it made its initial settlement offer of £902 on 12 April 2024 to the date the full settlement is made.

My final decision

For the reasons I have given I intend to uphold this complaint.

I require Ageas Insurance Limited to pay Mr T a total settlement of £1,720.40. It should also add 8% simple interest to this amount from the date it made its initial settlement offer on 12 April 2024 to the date the full settlement is made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 October 2024.

Sally-Ann Harding
Ombudsman