

## The complaint

Mr M complains Aviva Insurance Limited (Aviva) unfairly settled his claim on his motor insurance policy,

There are several parties and representatives of Aviva involved throughout the complaint but for the purposes of this complaint I'm only going to refer to Aviva.

## What happened

Mr M's car was involved in an accident in April 2023 and he made a claim on his motor insurance policy. Aviva's approved engineer inspected the car, and it was deemed uneconomical to repair and therefore a total loss.

Aviva made an offer of £954.40 for the market value of the car. And because Mr M wanted to retain the salvage this amount was reduced by 30%, making the offer £668.08 plus retention of the salvage.

Because Mr M was not happy with Aviva's valuation, or that it had classed the car as a total loss, he brought the complaint to our service.

Our investigator did not uphold the complaint. They looked into the case and they were satisfied with the initial valuation and said the deductions were reasonable. They were satisfied Aviva had acted in line with the terms of Mr M's policy.

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

## What I provisionally said

*I considered whether Aviva acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr M following the total loss 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 firstly looked at the details within Mr M's motor insurance policy with Aviva. In this case within the policy terms and conditions it says:*

*"Market value - The cost of replacing your car with one of the same make, model, specification and condition. The market value, determined at the time of loss or damage, may also be affected by other factors such as mileage, MOT status (if one is required), how you purchased your car and whether it has been previously declared a total loss."*

*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 Aviva used when calculating the market value of Mr M's car. I saw it used four advertisements for similar cars which it had amended to match the age and mileage of Mr M's car. It also considered the optional extras that were on the car. This gave an average valuation of £1,193. Aviva reduced this amount by 20% as the car had been previously declared a category S insurance loss. This gave a market valuation of £954.40.*

*I looked at the valuations obtained by our investigator. In this case because Mr M's car was more than 20 years old they were only able to obtain one valuation from one of the main motor trade guides. This valuation was £829.*

*I understand Mr M thinks the valuation should be between £1,750 and £2,500. I saw he had undertaken research on cars that were advertised for sale and provided a list of these, which included some cars for sale for more than the settlement offered. However the cars advertised had much lower mileage and one was two years newer, therefore I am not persuaded these were similar cars. I saw Mr M provided a quote he obtained for repairs to the car which totalled £1,057.68 and he said Aviva should pay him this amount to repair the car and not class it as a total loss.*

*I am satisfied that because Aviva have demonstrated the process it used to value the car and its settlement offer is higher than the market valuation we were able to obtain from the motor trade guides, we wouldn't interfere with the offer it has made. I think its offer of £954.40 is fair.*

*Based on this market valuation, I looked to see if Aviva fairly decided Mr M's car was beyond economical repair. I looked at the inspection report completed by Aviva's approved engineer and saw the cost to repair the damage to the bodywork of the car was estimated to be more than the market value. The terms of the policy say that the most Aviva will pay for repairs is the market value of your car so this means I think Aviva fairly deemed the car beyond economical repair.*

*Because Mr M wanted to keep his car, I have also considered the amount deducted for salvage. In this case Aviva deducted 30% of the market valuation (£286.32). This left a total of £668.08. It has shown evidence that it would receive £225 if it were to be taken by its approved salvage partner. This means the amount deducted by Aviva for salvage is 27% more than the amount it would obtain from its salvage partner so I don't think this is fair. As it has shown the amount it would have got is £225 then that's all it is entitled to deduct from the market value.*

*Therefore, I intend to uphold Mr M's complaint and require Aviva to increase its settlement offer to £729.40. This is the total loss settlement of £954.40 minus £225 for retention of the salvage. It should also add 8% simple interest from the date the original settlement offer was made until the date this settlement is made.*

### **Responses to my provisional decision**

Aviva responded and said it was happy with the recommendation provided.

Mr M did not respond.

### **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.

Because Aviva accepted my provisional findings and Mr M did not respond, I maintain my provisional decision and I uphold Mr M's complaint.

I require Aviva to increase its settlement offer to £729.40. It should also add 8% simple interest from the date the original settlement offer was made until the date this settlement is made.

**My final decision**

For the reasons I have given I uphold this complaint.

I require Aviva Insurance Limited to increase its settlement offer to £729.40 plus 8% simple interest from the date it made its offer to the date payment is made.

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

Sally-Ann Harding  
**Ombudsman**