

The complaint

Mr and Mrs W are unhappy about how esure Insurance Limited trading as Sheila's Wheels handled their motor insurance claim after they'd been in an accident.

For ease of reading I will refer only to Mrs W in my decision.

What happened

Mrs W was involved in a serious road traffic accident in July 2020, resulting in her husband being taken to hospital. She said while in a distressed state she reported the accident to her motor insurer, esure. On reporting the accident and informing esure of the age of her car, and the damage caused she said she was told her car would be deemed a total loss without any involvement or discussion with her. And she was surprised to be later told her car had been sent to auction before any settlement had been agreed.

Mrs W said her car was over 10 years old, but it was "*immaculate*", and had been well looked after as well as being a limited edition. She said the pre accident value (PAV) esure offered for her car was below the market value. And she asked why her car was deemed a total loss when she could have bought it back. Mrs W said a proper investigation of her car wasn't done as there wasn't a physical inspection, the decision was made from photographic evidence. She is also unhappy the hire car she was given was taken back. And she said there was a delay in being reimbursed for the loss of her car seats. She complained to esure.

Esure said Mrs W's car had been damaged beyond economical repair and had been sent direct to salvage. They'd also reimbursed her for her car seats and personal belongings totalling £286.57. They said they'd valued Mrs W's car using the industry standard guides and they'd reviewed this after Mrs W disputed the amount. Following review Mrs W was offered an additional £87. They agreed there had been a delay with the supplier for the car seats and compensated Mrs W £50 for the trouble this had caused.

Mrs W wasn't happy with esure's response as she said her car had been undervalued and had been based on age and her description at a time when she was in shock from the accident. She referred her complaint to us.

Our investigator said the PAV had been decided upon in line with our approach. And esure had applied the terms of Mrs W's motor insurance policy fairly.

Mrs W didn't agree and has asked for an ombudsman 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'm not upholding this complaint. I'll explain why.

I can understand Mrs W's frustration, she'd not only been involved in a serious road traffic accident. But this being her first time making a claim against her motor insurance policy she'd felt left out of the decision-making process about her own car. And she'd had a much-loved car taken from her without she said a suitable reimbursement to purchase a similar car.

Our role isn't to determine the outcome of the accident claim, but In reaching my decision I need to determine whether esure has applied their terms correctly, and have treated Mrs W fairly and reasonably. I have considered all of the points Mrs W has brought in her complaint. And have addressed the main issues below.

Pre-accident Valuation

I have looked at Mrs W's motor insurance policy and this says that the PAV is calculated at market value:

"The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including: Glass's, Parkers and CAP. This may not be the price you paid when you purchased the car."

Our usual approach to complaints about car valuations is to look at motor trade guides for valuing second-hand vehicles. We find these persuasive because their valuations are based on nationwide research and likely selling prices.

The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. This takes into account all the specifications of the vehicle as well as any extras and the mileage. If a guide price is significantly higher or lower than the others, we may think it's reasonable to ignore it. This depends on the value of the vehicle.

Mrs W has said the amount esure has valued her car at is unfair because she's seen similar vehicles advertised at higher prices. And hers was a limited edition. We wouldn't normally place as much weight on adverts to decide whether a valuation is fair. Differences in mileage or year of registration can significantly affect value, and sometimes the vehicle actually ends up selling for a lower price than advertised.

esure has used an average across the motor trade guides:

- Glass's - £5,180
- Parkers £6,455
- CAP - £5,487
- Cazana - £7,100

An average across all four is £6,056, the amount initially offered by esure.. But after Mrs W challenged the PAV, esure on review used:

- Glass's - £5,180 (unchanged)
- Parkers - £6,455 (unchanged)
- Cap - £5,490
- Cazana - £7,447

The average across the four increased to £6,143 a difference of £87. The change was likely due to a daily fluctuation in the Cazana valuation.

By looking at the guide prices together our approach would be to say this is fair. Mrs W has questioned our approach as she said the trade guides don't accurately reflect the true value of cars. In support of that Mrs W quoted the following from our website: *"Although, you should be aware that more recently, we've been told by some trade guides that generally cars are selling at or close to advertised prices."*

And Mrs W has provided us with several car adverts for a similar make and model to her own. I agree they are similar, and the prices quoted are nearer to the Cazana guide. But the variance in the advertised prices, with there being over a £1,000 difference between the lowest and highest, demonstrates that valuing a car isn't an exact science. And having looked at the car adverts Mrs W has provided, while they do give an idea of the selling price of cars with similar specifications sold around the time of the valuation. The car adverts don't show the mileage of the cars being sold, which can have an impact on the value. And any selling price has an element included to allow for negotiation.

As mentioned above, the guides are based on extensive nationwide research of likely selling prices. So, while individual cars may be advertised at a higher or lower price, or they may in fact sell at a higher or lower price, the guides give an average value of a car with its specific characteristics. We normally use the three motor trade guides CAP, Glasses and Cazana. We don't tend to use Parkers valuations on most motor insurance complaints, as it only shows values from the last three months.

I can see that our check of these guides showed similar valuations to that found by esure. It's for that reason I feel the valuation used by esure is reasonable. I'm therefore not upholding this aspect of Mrs W's complaint.

Mrs W has said she hasn't as yet received the increased valuation of £87, and I'd now expect esure to pay this amount, if they haven't already to Mrs W.

Total Loss

Mrs W said her car was deemed a total loss based only on photographs. And it was sent to auction before she'd agreed to any settlement. Again, I've looked at Mrs W's motor insurance policy. This says:

"We have full discretion in the settlement of your claim or any legal proceedings which may arise and we may take over, defend or settle the claim in your name for our own benefit. If we decide that your car is a total loss after providing the courtesy car, it will be withdrawn."

And define:

"we, us, our, the company - esure Insurance Limited."

The insurer can decide at what value it thinks a car is uneconomical to repair. So, we wouldn't necessarily say an insurer was wrong to decide not to repair a car when the cost of those repairs was more than 60-70%. We'd need to look at whether they'd made their decision reasonably.

esure instructed an independent engineer to review the damage caused to Mrs W's car. I understand she's unhappy that this was only done with photographic evidence. But engineers are the experts in this field. And from the engineer's report I can see the estimated costs for repairing Mrs W's car was over £11,000, which would indicate the damage was

extensive. And in excess of the PAV from the guides as well as in excess of all of the cars Mrs W saw being advertised for sale. So, I don't think esure acted unreasonably in deeming Mrs W's car beyond economical repair.

Mrs W has said her car shouldn't have been sent to auction until she had agreed the PAV settlement. But Mrs W's policy says:

"We'll decide which method we use to settle your claim.

- If we settle your claim as a total loss, the car will become our property."*

While I think Mrs W should have the opportunity to dispute the PAV applied to her car, as she has done. As I've outlined above, I don't think esure has been unreasonable in deeming Mrs W's car a total loss. And so, the car according to the policy terms she'd agreed to became esure's property. So, I don't think esure acted unreasonably by sending Mrs W's car to auction.

Personal belongings

There was a delay in reimbursing Mrs W for her personal belongings including car seats. Her policy says:

"We'll contribute up to £100 towards the cost of replacing each child car seat/booster seat if they were in your car at the time of the accident you are claiming for.

Esure has said that Mrs W didn't inform them in the initial call about the car seats. Which I think is understandable given the trauma Mrs W had experienced. But on being advised I can see that esure has reimbursed Mrs W in line with the policy terms. And acknowledged there was a delay. I think esure's offer of £50 in recognition of this is fair.

I know Mrs W will be disappointed with my decision. And I know the whole situation has been very distressing for her. She has experienced trauma and shock. But I can't say that esure has acted unfairly or unreasonably in their actions with Mrs W.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 8 March 2021.

Anne Scarr
Ombudsman