

The complaint

Mr B complains about the deduction esure Insurance Limited made from the valuation placed on his car after a claim made on his motor insurance policy. He wants the full valuation for the car's market value in settlement of his claim.

What happened

Mr B's car was stolen some five months after he bought it and whilst he was still paying off mechanical repairs made to it. esure made Mr B an offer in settlement of his claim which it said was the car's market value. Its offer was £13,784.75, less the policy excess. And esure also deducted 20% of this valuation because it found that the car had been a previous total loss. Mr B was unhappy with this deduction as he said he'd carried out a check on the car when he'd bought it, and nothing had come to light.

Our investigator recommended that the complaint should be upheld. She thought esure had valued Mr B's car correctly using the motor trade guides according to our approach. She thought its offer was within the range of the valuations provided by the trade guides. But she thought its deduction was unfair as she thought Mr B had taken reasonable care to check the car's history and there were no obvious signs of damage. She thought esure should pay Mr B the car's full valuation and £75 compensation for the trouble and upset caused.

esure replied that any proper check would have shown that the car was a previous write off. It said Mr B should have made a "gold check" on the website he used to obtain a full history of the car. It asked for the complaint to be reviewed by an ombudsman, so it's come to me for a final decision.

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 can understand that Mr B feels frustrated by esure's decision not to increase its valuation. I can understand that he wants a fair settlement for the loss of his car. I think esure offered Mr B a settlement for the market value of his car, as defined in the policy's terms and conditions:

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.*

The investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also take into account regional variations. We also take all other available evidence into account, for example, engineer's reports.

Our investigator thought esure's offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she checked the trade guides we use for cars of the same make, model, age, mileage and condition as Mr B's car.

The valuations she found were similar to those found by esure, which fell within the range that our investigator found. esure had offered an average of the valuations it found. So I think esure's offer was fair and reasonable as it was made correctly according to our approach.

I can see that esure found that the car had been a previous category N write off before Mr B had bought it. And so it deducted 20% of the valuation from the settlement. This was because it thought Mr B had paid less for the car because he'd known it was a previous write-off.

Our approach in such cases is that if a consumer has done a check and unknowingly bought a previously written off car, then it isn't fair that a business deducts 20% off the valuation. So I've considered whether Mr B did a reasonable check on the car's history and whether he was likely to have known the car was a previous write-off.

Mr B has provided a copy of the check he carried out. This is dated some six hours after he took out cover for the car. So it looks like this was an afterthought on Mr B's part. But I don't think its relevant to esure's decision as Mr B could have cancelled his cover within the cooling off period if he'd found any concerns. As it was, the check didn't show any concerns and Mr B said there wasn't anything obvious to have prompted further checks.

I can see that the car had been in a previous incident about three weeks before Mr B bought it. This had damaged the bodywork. But I think, on balance, it could have been repaired in that time and so no obvious damage would be evident to Mr B.

I can also see that esure had some concerns about the circumstances of the purchase and Mr B's checks on the car's history:

Mr B had recorded the date of purchase of the car on its V5 registration document as three weeks before he did the vehicle check and took out cover with esure. But Mr B has explained that he bought the car privately and paid for it in two instalments. The first was paid on the date he later recorded on the V5, and which he thought was when he had bought the car.

The second instalment was paid three weeks later, and he then took ownership and completed the vehicle check and insured the car. esure was concerned that Mr B couldn't provide any receipts for these transactions. But Mr B explained that he'd bought the car from a relative of a friend. I think these were reasonable explanations for the difference in dates and the lack of receipts.

esure questioned the vehicle check report Mr B did on the car. It said the website Mr B used didn't provide accurate information as the car's previous insurer had registered the car's status three weeks earlier. Our approach is that the consumer should carry out a reasonable check on the car's history. We don't require it to obtain an "official" report from a specified company. And I think the check report was sufficiently detailed to persuade Mr B that it was accurate.

It was unfortunate the report obtained by Mr B was evidently inaccurate as it wasn't up to date. But I haven't seen that there were any warning signs, such as damage to the car, that should have prompted Mr B to pay for further checks. So I can't say that Mr B didn't make a reasonable attempt to check the car's history.

esure was concerned that Mr B hadn't recorded the correct purchase price for the car on the online application and he'd overstated the amount he'd spent on repairing the car. But I think Mr B has explained that the purchase price box was filled in automatically. In any case I don't think this affected the valuation as it was based on the car's market value, not stated value.

Mr B's repairs had been in the region of £2,000 and he's provided invoices for these showing that they were for mechanical repairs, not bodywork. So I don't think this is relevant to esure's settlement.

And so I think Mr B unknowingly bought and insured a previously written-off car having taken reasonable care. In terms of reasonable care, our approach is that as a minimum the consumer should demonstrate that they carried out some form of check on the car's history, which Mr B did.

And as I think it is likely Mr B didn't know the car's history and the repairs weren't obviously noticeable, I think he was likely to have paid the full price for it. And so I think esure should pay Mr B the full market value in settlement of his claim.

Our investigator recommended that esure should also pay Mr B £75 compensation for the distress and inconvenience this has caused him. I can see that Mr B still had to pay his instalments for repairs and was stressed by esure's decision. So I think that's fair and reasonable as it's in keeping with what I'd require in similar circumstances.

Putting things right

I think esure Insurance Limited should pay Mr B the full market value for his car, less the policy excess, in settlement of his claim, and £75 compensation for the distress and inconvenience its unfair decision has caused him.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require esure Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 March 2021.

Phillip Berechree
Ombudsman