

The complaint

Mr K has complained that Advantage Insurance Company Limited (Advantage) has undervalued his vehicle when it was deemed a total loss after an accident.

What happened

Mr K's vehicle was written off following a total loss claim. Advantage placed a value of £9,214 on his vehicle. This included a deduction of £300 as there was no valid MOT on the vehicle at the time of the accident.

But Mr K says this is a very low valuation based on the current market price. He also says that as the UK was in lockdown, garages were closed, and he was unable to get an MOT on his vehicle. When they reopened, he couldn't get an appointment, and he says it's unfair to penalise him for this.

Mr K also asked Advantage to return the salvage and pay him the difference. Advantage has placed a retention value of £3,220 on the salvage. But Mr K says this salvage value is too high, and he's asked Advantage to explain this to him. But he says Advantage ignored this request.

An investigator from our service looked at this complaint. The investigator was satisfied that the valuation placed on the vehicle by Advantage after the deduction for no MOT was fair. The investigator also said the salvage valuation was fair and didn't uphold the complaint.

But Mr K doesn't agree, and he's asked for an ombudsman to review the complaint.

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.

Mr K is unhappy with the valuation that Advantage has placed on his vehicle. In the file notes provided I can see that he asked Advantage for £12,000.

Our approach is to consider whether Advantage has settled Mr K's claim in line with the terms and conditions of his policy, fairly and reasonably. So, I have considered the terms of the policy and the offer made in order to determine whether Advantage has acted fairly. I can see that in the event the van can't be repaired, Advantage won't pay more than the market value of the van at the time of the loss.

Market Value is defined as *"The cost of replacing your Car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition. This may not necessarily be the value you declared when the insurance was taken out. Your Insurer may use publications such as Glass's Guide to assess the Market Value and will*

make any necessary allowances for the mileage and condition of your Car and the circumstances in which you bought it”.

Our usual approach to complaints about vehicle 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.

Customers sometimes say the amount they've been paid is unfair because they've seen similar vehicles advertised at higher prices. 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. Adverts may be helpful if the complaint involves a classic or rare model. Or if they strongly indicate that the guides could be wrong.

I've checked the motor trade guides for the value of Mr K's vehicle at the time of the incident and they produced the following valuations:

CAP: £9,514
Glass's: £9,210
Cazana: £9,244

Advantage has placed a value of £9,514 on Mr K's vehicle. And I can see that this is the highest valuation listed in the trade guides. I haven't been provided with anything else to indicate that this valuation might be unfair. So, looking at the three guide prices together our approach would be to say this valuation is fair. And as such, I'm satisfied that the market value that Advantage has placed on Mr K's vehicle is fair and reasonable.

However, Advantage has deducted £300 from this because the vehicle had no current MOT. Mr K says his ability to obtain an MOT was affected by the national lockdown, and he couldn't get an appointment.

I sympathise with Mr K's situation. The MOT on his vehicle ran out during the national lockdown, and garages and MOT Centres were closed. However, they did reopen in August 2020. And even if it was difficult to get an appointment, Mr K's accident was four months later. So, I think this gave him enough time to rearrange or make an alternative appointment.

But whether the vehicle had an MOT or not, the terms and conditions state that Advantage will only ever pay the market value. And a vehicle with no MOT will have a lower market value than one that has an MOT.

Advantage has provided us with a copy of the vehicle's MOT from January 2021, an MOT that was carried out after the accident. The vehicle failed this particular MOT and I can see there are a number of issues that needed immediate repair. All anti-roll bar linkages are listed as worn, along with both front suspension ball joints. And as the failings listed are all listed as worn, they're unlikely to have been accident related. So, it's likely that Mr K would've had a financial outlay in order to bring his vehicle up to an MOT standard of roadworthiness. So, I think it's fair that Advantage reduce the pre-accident value to reflect this.

The trade guides are based on prices obtained for vehicles sold in roadworthy condition. And usually we'd see insurers deduct 10% from the valuation, for not having a valid MOT. Further

to this, vehicles without an MOT will usually sell under the market value. Especially one that's been expired for seven months. And even in these unprecedented times, this also needs to be taken into consideration, when placing a value on a vehicle.

In this case a 10% deduction would've equated to a deduction of approximately £950. But I can see that Advantage only deducted £300. So, to me it looks like Advantage didn't deduct as much as it could've and as such it's been more than fair to Mr K with its revised valuation of £9,214. Because of this, I won't be asking Advantage to do any more.

Mr K has also raised a question about the value Advantage has placed on the salvage of his vehicle, also known as the retention value. He says most other insurers would place a 20% or 30% value on the salvage, and that Advantage have placed a retention value of more than 35% on his vehicle, and this isn't fair.

I've calculated the retention value and it's just under 35% (34.9%). This is just inside the tolerance of what we would consider fair. I need to consider each case on its own individual merits. So, I need to consider the commercial arrangement Advantage has with its salvage agents and whether the price placed on the salvage is having too great an impact on a consumer who wants to keep their damaged car.

Advantage has provided us with the salvage calculator it uses, and I can see that there are no errors in the calculation. I can't provide this evidence to Mr K, as it is commercially sensitive. But I'm satisfied that the retention value has been calculated correctly, and given the actual valuation placed on the vehicle, I'm satisfied that the valuation placed on the salvage of just under 35% of this valuation is fair.

So, Advantage has approached the valuation of Mr K's vehicle fairly. The deduction for the MOT is less than what it could've been, so it's also considered fair, and the value placed on the retention value or salvage is within the tolerances of what we would consider fair. Because of this I think Advantage has treated Mr K fairly and I won't be asking Advantage to do any more.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 April 2021.

Derek Dunne
Ombudsman