

## **The complaint**

Mr P complains that Highway Insurance Company Limited (HICL) haven't paid enough for his car when he claimed on his car insurance policy following an accident.

For ease of reading, any reference to HICL includes their agents.

## **What happened**

Mr P bought a rare imported car, unfortunately due to the Government restrictions put into place because of Covid he wasn't able to collect the car for several months. When Mr P was able to collect the car from the dealership, he insured it was HICL. The next day Mr P was involved in an accident, so he claimed on his policy.

HICL reviewed the claim and accepted it. They said due to the damage to Mr P's car it would be deemed a total loss. Because of the rarity of Mr P's car and the age, as well as it being an imported model, the usual trade guides weren't able to value it. Mr P had paid £8,999 for his car when he bought it. HICL offered Mr P £8,900 minus his policy excess in settlement of his claim.

Mr P looked to replace his car but found that the prices had increased since he bought it. The dealership who sold him the car said it would now cost £12,000 to replace it with one which was similar. As HICL hadn't paid Mr P the market value of his car he complained.

HICL reviewed the complaint and didn't uphold it. They said they looked for similar vehicles for sale and thought £8,900 was a fair value. Mr P didn't agree and referred his complaint here.

Our investigator looked into Mr P's complaint and noted he'd originally purchased an agreed value policy. However, as the agreed value hadn't been confirmed the policy said it would pay the market value. Our investigator found that two dealerships had said Mr P couldn't replace his car with the amount HICL had offered. One of the dealerships had a similar car for sale for £11,999 so our investigator recommended HICL paid Mr P £12,000 as the market value of his car.

HICL didn't respond to our investigator's findings so the complaint has come to me 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.

The terms and conditions of Mr P's policy say, in the event of a claim if the policy is not an agreed value policy then the most HICL will pay is the market value. The policy also says if it is an agreed value this will be recorded on the policy schedule. I've reviewed the policy schedule Mr P has provided and it doesn't show that he has an agreed value policy. Therefore, HICL needs to pay Mr P the market value for his car.

The terms and conditions of the policy say HICL will pay market value just before the loss or damage occurred. The policy doesn't define market value but in my experience market value usually means the cost of replacing the car with one of the same make, model, specification and mileage at the time of the loss. I can see Mr P paid £8,999 for his car and that he'd agreed to buy it around four months before the accident. He then purchased the car and insured it. Unfortunately, he was involved in an accident which deemed the car a total loss the next day.

Our service doesn't value cars. Instead we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant trade guides. I usually find these persuasive as they're based on nationwide research of sales prices. However, in Mr P's case the guides are unable to value his car due to its age and rarity.

I've noted the engineer's report on Mr P's car says:

*"This vehicle is extremely rare in the UK, and from review of information held has only been in the UK for a few months.*

*Discussions with the owner have highlighted that he has recently paid £8900.00 for this vehicle and on research I have found an example that is in excess of this amount and in my opinion this is a reasonable valuation to place on this vehicle less any applicable excess."*

From reading this it appears HICL have offered Mr P what he said he paid for it, albeit £99 less. However, the engineer has also agreed the car is extremely rare and found an example being advertised for more. As the policy says it will pay the market value just before the loss that's what HICL needs to do, but I'm not persuaded paying Mr P what he paid for the car is the fair market value. I say this because the market value is what it would cost Mr P to replace his car, and even from HICL's own engineer he's said the ones he's seen for sale are going for more. I'm therefore not persuaded £8,900 is the market value of Mr P's car at the time of loss.

I've also considered the testimonies from the two dealerships Mr P approached which also said he couldn't replace the car for what HICL offered. I'm therefore persuaded £12,000 is a fair value to pay in this particular case, as it's in line with the advert Mr P provided and what the dealerships have said and is therefore the market value of Mr P's car. Therefore, HICL need to increase what they've offered Mr P to £12,000, minus his policy excess. HICL should also add 8% simple interest per annum to the additional amount they pay to compensate Mr P for not having the money.

### **My final decision**

For the reasons explained above, my final decision is that I uphold this complaint. I require Highway Insurance Company Limited to pay Mr P £12,000 minus his policy excess in settlement of his claim. Highway Insurance Company Limited also needs to add 8% simple interest per annum to the additional amount they pay, calculated from the date of loss until the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 March 2022.

Alex Newman  
**Ombudsman**