

## **The complaint**

Mr F complains about esure Insurance Limited's valuation of his car after it was stolen, under his motor insurance policy.

## **What happened**

Mr F's car was stolen so he made a claim to esure. The business valued the car based on the industry trade guides and offered £16,646 excluding the policy excess. It says this was the average of the guide prices it obtained, which it thought was a fair assessment of the car's market value.

Mr F says he had added a number of modifications to his car, which meant it was worth more than esure's valuation. He says he contacted esure after the modifications had been added and was told he didn't need to declare modifications unless it was about the car's engine. The modifications Mr F had made include alloy wheels, a vinyl-wrap and footwell lights amongst some other items. The car also had a factory fitted panoramic sunroof and leather/suede seats.

Mr F says that after the theft of his car he discussed the modifications with esure again. At this point esure agreed to add them to his policy. This resulted in an additional charge to reflect the changes in risk associated with these modifications. Mr F queries why this was agreed, and he paid an increased premium, when the modifications had no impact on esure's valuation.

esure says its valuation reflects the market value of Mr F's car at the time of the theft. It says the modifications Mr F made don't affect the market value of the car. But the level of risk increased because of the higher costs involved in repairing the car should it be damaged.

Mr F didn't think esure had treated him fairly and referred his complaint to our service. Our investigator didn't uphold his complaint. He thought esure's approach to valuing the car had been fair based on the average of the industry guides. He checked the guides but found the additional extras and modifications didn't impact on the market value.

Our investigator didn't think there were grounds to ask esure to pay Mr F more for his car but thought its offer to refund the additional premium Mr F paid was fair.

Mr F didn't think this outcome was fair and asked for an ombudsman to review his complaint.

It's been passed 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.

Having done so I have decided to uphold Mr F's complaint in part. I won't be adding to the award our investigator set out and understand this will be disappointing for Mr F, but I will explain why I think my decision is fair.

Our approach is to consider whether esure has settled Mr F's claim in line with the terms and conditions of his policy, fairly and reasonably. So, I've considered the terms of the policy and the offer made in order to determine whether esure has acted fairly.

I can see that Mr F's policy covers him for the theft of his car. The terms set out what esure will pay in these circumstances.

The policy terms say:

*"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 similar to esure's and that is to look at the 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 would be. This considers 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 circumstances and the value of the vehicle.

esure says it took an average of the industry guide valuations to arrive at its settlement figure. The valuations it obtained were for £16,085, £16,553 and £17,300 from which it calculated an average value of £16,646. esure's calculation discounted a lower valuation of £15,196. I think this was fair as this valuation was considerably lower than the other three.

I've checked the motor trade guides at the time of Mr F's loss. This confirmed the values esure used are reflective of the market value of his car.

I have thought about Mr F's view that he paid a lot of money on modifications to his car and that this should be reflected in its valuation. He says he thought his car would be worth closer to £20,000.

I can understand Mr F's disappointment that he's spent a lot of money on his car, and this isn't reflected in esure's valuation. We asked esure for its comments. It says the wrap, wheels and lights don't add to the market valuation. It says some people may be attracted by these modifications and be willing to pay more, but they also put other people off. Meaning they would pay less for the car.

We take a similar view in relation to vinyl wraps and other modifications, including the interior decorations Mr F describes. Although some people may be willing pay more for a car that has been modified in this way, its value may decrease in the eyes of other potential buyers. So, we think it's unlikely that such modifications will increase the market value of the car.

The trade guide valuations weren't impacted by the sunroof and seat cover options. So, I can't say that esure treated Mr F unfairly when valuing his car and providing the settlement offer it did.

I have also given thought to the additional premium Mr F paid following the loss of his car.

He says he contacted esure in May 2021 to let it know he had made modifications to his car. But it told him he needn't declare modifications that weren't related to the engine. After the

theft when discussing the issue again, esure told him it would add the modifications and make an additional charge for the impact this would've had on the premium.

We asked esure about this additional charge. It says this should've been raised in May 2021 when Mr F changed the vehicle registration and informed it about the vinyl wrap. It says its call handler confirmed this would be added to the notes, but it wasn't added as a modification to the policy. It says although the additional premium charge was applicable it is willing to refund this as a gesture of goodwill.

Mr F had made modifications to his car which resulted in an increased insurance risk and a slightly higher premium. So, I think it was reasonable for esure to apply this charge, albeit this charge should have been applied and taken in May 2021. Because of this I think it's offer to refund this charge is fair.

In considering all of this, I think esure treated Mr F fairly when valuing his car and offering a payment based on its assessment of its market value. But it should've added the modifications to the policy and taken the additional premium earlier, so I think it's fair that this payment is refunded.

### **My final decision**

My final decision is that I uphold this complaint in part. esure Insurance limited should:

- refund the additional premium to Mr F.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 6 April 2022.

Mike Waldron  
**Ombudsman**