

## The complaint

Mr W complains about the valuation Covea Insurance plc (Covea) put on his car when it was damaged in an accident.

## What happened

Mr W had motor insurance underwritten by Covea. Mr W's car was badly damaged when it was hit by another vehicle. Covea decided the car was a "total loss" as it could not be economically repaired. Covea valued the car at £26,037. Mr W wasn't happy as he said it would cost him more than this to replace the car with an equivalent one. Mr W also said his old car had a towbar and it would cost at least £900 to fit a towbar to any replacement vehicle.

Mr W complained to Covea. He sent Covea some advertisements for similar cars costing more than Covea's valuation. Covea said it had used four trade guides to come up with an average valuation. Covea said the trade guides didn't consider that a towbar fitted to a car of the same make and model as Mr W's made any difference to the valuation. Covea also said the advertisements provided by Mr W were not for the same model of car.

Mr W wasn't happy with this response and complained to this service. Our investigator upheld his complaint. The investigator said he'd obtained his own valuations via the three trade guides this service uses. The average was £26,320.66. The investigator said Covea should pay Mr W this amount in settlement of his claim, so an extra £283.66, plus interest.

Neither Covea nor Mr W agreed with the investigator's view, so the complaint has been passed to me. Mr W wants his claim settled for £30,000, which he says is the cost of a replacement car plus towbar.

## 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'm upholding Mr W's complaint. I'll explain why.

Mr W's insurance policy with Covea said in the event of a claim, Covea would decide whether to repair the car or replace it. Covea said the most it would pay would be the market value at the time of the loss. Covea defined market value as:

*"The cost of replacing the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened."*

Our service has a standard approach to this type of complaint. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor trade guides the most persuasive. These guides are based on

extensive nationwide research of likely selling prices, using advertised and auction prices.

We don't provide a valuation for the settlement of the claim as that's the insurer's role, but we determine a valuation so we can say whether or not the insurer has treated the consumer fairly.

Covea provided the valuations it obtained as follows:

- 1 - £25,410
- 2 - £26,250
- 3 - £26,895
- 4 - £25,591

So Covea put the market value of Mr W's car as the average of these valuations, which was £26,036.50. Covea hasn't provided this service with the full details of the information it sent to the guides to obtain these valuations.

Our investigator obtained the following valuations as at the date the car was damaged:

- 1 - £25,450
- 2 - £26,262
- 3 - £27,250

The average of these three valuations is £26,320.66. Our investigator sent information to the guides including the make and model of the car and its mileage. He checked the guides and found a towbar wouldn't add anything to the value of the car.

Mr W has provided some adverts for similar cars which he says show that Covea's valuation was too low. We don't usually find advertisements for similar vehicles on their own very persuasive, but we do consider them, as they could indicate a problem with the guide values. A vehicle may often be sold for less than the advertised price, especially with private sales. And differences in things like mileage, year of registration, model and type can significantly affect the value. I don't think that Mr W has provided sufficiently detailed information to suggest there might be a problem with the trade guides.

Mr W says he paid £27,995 to replace the car plus nearly £1,000 for a towbar. I note though that the mileage on his new car was a lot less than the mileage on his old car.

Taking all this into account, I don't think that Covea's market valuation was fair and reasonable. I think that a market value of £26,320.66 would have enabled Mr W to replace his car with a similar one at the time of the accident.

### **My final decision**

For the reasons given above I'm upholding Mr W's complaint. I require Covea Insurance plc to pay Mr W £283.66 plus interest at 8% a year simple from the date the original payment was made on this claim to the date this extra payment is made. This is the difference between Covea's valuation and what I think a fair and reasonable valuation would have been.

If Covea Insurance plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give

Mr W a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 April 2022.

Sarah Baalham  
**Ombudsman**