The complaint

Mr L has complained about his motor insurer Ageas Insurance Limited as he thinks it undervalued his car when it was deemed to be damaged beyond repair when its catalytic converter (CAT) was stolen.

What happened

Mr L's car was damaged by thieves taking its CAT. He made a claim and Ageas' garage initially felt it could be repaired and Mr L sought to arrange for the garage to provide him with a courtesy car. But then the garage decided the car was unrepairable (due to cost). Mr L was told Ageas would settle for the market value of the car – which it said was £2,080 – less the policy excess and no courtesy car would be provided (because the car was not being repaired). When Mr L asked to keep the car Ageas agreed but said it would deduct 25% of the market value as that is the sum it would have received from the salvage dealer if it hadn't let Mr L keep the car.

Mr L complained to this service. He said he believed his car had been undervalued. He said he couldn't find many adverts for cars because cars like his are rare – but those he did find were on sale for around £5,000. Mr L explained that he believed it was his demand for a courtesy car that had caused Ageas to change its mind about repairing his car. And he felt its refusal to repair was particularly unfair as he was aware of other insurers allowing similar repairs to be done. He also felt that as the CAT was missing, the salvage price for the car should reflect that but there was no sign that had been taken account of.

When considering Mr L's complaint, our Investigator noted that Ageas' valuation was based on it having checked just one trade guide. Our Investigator obtained two further valuations from other trade guides. He said an average of the three of them gave a figure in excess of the value Ageas had settled for with Mr L. He said it should pay the difference between its value and the average his research had returned – £357.33, plus interest* on the total average market value from the date of settlement until the additional sum is paid.

Ageas accepted the view. Mr L still felt he wasn't being given enough to replace his car. He sent a further example of a car which had sold for its asking price of around £6,000. He said if the trade guide values were to be used, the lowest of the three – the value used by Ageas – should be discounted, with an average of the two higher values used to base his settlement on. That would make an additional payment to him of over £500.

Our investigator explained to Mr L that the sold car he had sent details of had done only about half the mileage of Mr L's car, so it wasn't reasonable to say that car was like Mr L's.

When Mr L remained unhappy his complaint was passed to an ombudsman for consideration.

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.

declaring Mr L’s car a total loss

I know Mr L thinks that his enquiry about a courtesy car caused the garage and/or Ageas to change its view about repairing his car. And I can see why he might think that was the case. But I don’t think that is actually what happened. In saying that I note that Mr L was told during his first call with Ageas that given the cars age and mileage it might not be possible for the car to be repaired. But Ageas didn’t just assume that – rather its garage ordered parts to see if a repair could be made. However, having done that, the garage told Ageas it was going to cost more to fix the car than had been hoped. The cost to fix the car was then felt likely to amount to around £2,000. And that was the value Ageas thought the car was worth. So the decision on whether or not to repair the car changed with the unfolding parts and repair situation – not because Mr L had wanted a courtesy car.

Whilst I know Mr L is aware of other cars that have been fixed with this type of damage that doesn’t mean Ageas was bound to fix his car. It isn’t that his car wasn’t repairable – rather that the cost of repairing it was approaching its value. So Ageas decided it wasn’t economical to repair the car. And in that instance an insurer is entitled to settle based on the car’s market value. I don’t think that Ageas’ decision that the car was a total loss was unreasonable.

market value

I think Ageas’ value was low, and I note it has accepted that. It did take that value from one of the trade guides. And our usual approach to complaints about valuations is to look at the relevant trade guides for valuing second-hand cars. We find these more reliable than figures cars are advertised for. That's because the trade guides use extensive research of likely selling prices for cars, whereas the price a car is advertised for isn't necessarily the price it sells for, if in fact it sells at all. But sometimes an insurer might not be able to get values returned from all the trade guides. And when that occurs this service would expect the insurer to carry out some further research and/or consideration to make sure that the one value returned is likely fair. Ageas didn’t do that here.

Our Investigator did that though. He found the following three values from three trade guides – the first is the same as Ageas found:

- £2,080
- £2,337
- £2,895

As there is a fairly even spread on these three values, I think it is reasonable to look at an average of the three to determine the fair market value for Mr L’s car. That’s £2,437.33, £357.33 more than the sum Ageas valued the car at. I think Ageas should always have been more diligent in valuing Mr L’s car, and if it had it would have returned a value more in line with this figure. So I’m going to require it pay the increased sum to Mr L, plus interest* on the increased valuation amount from the date of the interim payment until the increased sum is paid.

I know Mr L thinks the lowest of these sums should be discounted and the other two used. But I can’t see any good reason for discounting any of the prices here. The values are fairly evenly spread. And, importantly, just because Mr L is finding adverts of cars for sale at much higher prices than any of these values doesn’t give me good reason for discounting the lowest with a view to creating as higher settlement value as possible for Mr L. Which he seems to think it would be reasonable to do.

The advert Mr L sent us showing a sold car isn't representative of what Mr L's car might sell for – or cost to replace. That is because it is for a car which has much less mileage than Mr L's – 53,000, whereas Mr L's car has done 117,000 miles. It can be difficult to find exact matches for any car. Other search results Mr L sent us showed cars made in different years and/or didn't show the number of miles the cars had done. But the trade guides are used because they have access to lots of sales data from the motor trade industry – so not just what a policyholder can find on any given search of the internet. And the values they generate are based on the specifics of the car in question. I don't think it would be reasonable to make Ageas change the value paid for Mr L's car to one based on the sales detail he has shown.

salvage

It isn't unusual for an insurer to have a set agreement with salvage agents. Here Ageas receives 25% of the market value of a car when releasing it to its salvage agents. It does not negotiate a price for every car. That likely wouldn't be practical. And in line with that approach, Ageas didn't, and would not have, negotiated a price for Mr L's car either. Rather if he had not wanted to keep the car and it had gone to an agent for salvage, Ageas would have received 25% of the market value from the agent. It reasonably allowed Mr L to keep the car. But it was also reasonable that it asked him to 'pay' the 25% it would otherwise have received from its agent. It did this by deducting that value from the settlement. That was fair.

Strictly speaking, now the market value has been increased, so should the amount Ageas could reasonably claim for salvage from Mr L. But here Ageas was happy to settle at a low market value and, if it had relinquished the car to agents for salvage, the £520 deduction it made from its original market value settlement is all it would ever have received from its agent, regardless of any later amendment to that value. So it doesn't seem fair to make Mr L pay more now just because; Ageas' low value has been found to be unfair, and because he has chosen to keep the car.

claim handling

Overall I don't think that Ageas handled Mr L's claim unreasonably. As I've explained I think it could have done more to ensure it gave a fair and reasonable valuation for his car. But I do not think it determining the car was a total loss, or that a salvage value could be deducted from its market value, was unfair. And I note that Ageas did seek to pay the value it felt was due for the car to Mr L – so he did have the benefit of that settlement within about three weeks from the date of the claim.

Putting things right

I require Ageas to pay Mr L:

- £357.33, being the difference between its value for his car and the fair market value for it of £2,437.33, this in full and final settlement of his claim.
- An amount equivalent to interest* on the sum of £2,437.33 applied from the 27 July 2021 being the date of Ageas' interim settlement until the sum of £357.33 is paid to Mr L.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. If Ageas considers that it's required by HM Revenue & Customs to take off income tax from any interest due to Mr L, it should tell him how much it's taken off. It should also give Mr L a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint. I require Ageas Insurance Limited to provide the redress set out above at “*putting things right*”.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 5 April 2022.
Fiona Robinson
Ombudsman