

The complaint

Mr B is unhappy with how Tesco Underwriting Limited valued his vehicle and the amount offered to settle his claim.

What happened

In August 2021 Mr B made a claim on his motor insurance policy following a collision with a lorry. Following an engineer's inspection of the vehicle, Tesco found Mr B wasn't at fault but deemed his vehicle a total loss. Based on trade guides and the engineer's inspection they offered Mr B £3880 to settle the claim. This included a deduction of £130 for what they determined was pre accident damage.

Mr B wasn't happy with the valuation, he felt the vehicle was worth around £5,000 as he had seen some advertisements for the same make and model in this region. As they couldn't find advertisements for similar models, Tesco asked Mr B to provide some examples, but having received them they didn't feel those examples were a close enough match to Mr B's vehicle specifications. As their engineer felt the offer made was fair they maintained their position.

Mr B brought his complaint to this service. Our investigator felt Tesco had assessed the claim fairly so didn't ask them to do anything more. Mr B remained unhappy, he instructed his own engineer to inspect the vehicle and provided a report of their findings. He also said he felt the deduction of £130 for pre accident damage was unfair as the damage was caused during the accident.

As the investigator wasn't able to resolve things, it was passed to me to decide. I asked Tesco to confirm their final valuation as from the information available it appeared their engineer didn't think Mr B's engineer's valuation was unreasonable. Tesco confirmed they were willing to offer £4090, having taken account of the deduction for pre accident damage.

Our investigator thought the offer was fair but Mr B didn't accept it. He said he wasn't at fault for the accident and didn't feel it was fair for them to deduct money. As Mr B remains unhappy it has been passed to me to review the file afresh and issue a decision.

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.

Liability isn't in dispute, Mr B wasn't at fault for the accident that occurred. The vehicle was deemed a total loss and the policy terms and conditions set out how Tesco will settle claims in this instance. It says:

"Once an approved engineer has inspected and assessed the market value of the car, we will send you an offer of payment."

It defines market value as:

"The cost of replacing the car with one of similar age, type, specification, mileage and condition, immediately before the loss or damage happened."

So I've considered this when deciding if Tesco's offer is fair.

Our service doesn't value vehicles, instead we check to see the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we use relevant trade guides, as well as considering other information such as adverts. But we tend to find the guides most persuasive as they're based on nationwide research of sales prices. Tesco used the vehicle valuation guides as well as their engineers report and opinion to determine what they felt was a fair settlement.

I've checked the trade guides for the same make, model and specification of Mr B's car at the time of the accident. And considered the independent engineer reports provided by Mr B and Tesco as well as the advertisements provided.

Mr B's engineer valued the vehicle at £4220 whilst Tesco's engineer felt £4010 was fair reflection of the market value. Following the review of Mr B's engineer's report and his comments around advertised values, Tesco's engineer later agreed that £4220 wasn't unreasonable.

As this figure is supported by both independent engineers and at the top end of the range of the trade guide values it seems to me that £4220 is a fair valuation for the vehicle. Tesco have also deducted £130 for pre-accident damage. Bringing their valuation to £4090.

Mr B has said the damage was caused by the accident. I've looked at both engineer reports and having inspected the photo's I think it is evident there was some prior damage to the vehicle.

Mr B acknowledged due to the age of the car there was some wear and tear and said that it has been feathered in at some point with a paint job. However, it is clear there was some damaged paint on the bumper, that had been painted over at some point as the paintwork isn't smooth and you can clearly see an edge.

I accept that all vehicles are likely to have some wear and tear, particularly one that is 15 years old. But I'm satisfied the paint damage is more significant than light wear and tear as in one area it appears to have lost its top surface.

However, the engineers differ in relation to the damage to the left front wing. Tesco's engineer says it is misshaped with scratches and has attributed this to a poor previous repair. Mr B's engineer says the front bumper has been re-painted at some point with blending to both front wing panels and bonnet. They noted no pre-accident repair damage to the near side front wing.

When an agreement can't be reached, I have to base my findings on a balance of probabilities, so what I think was most likely the case based on the evidence available. My initial thoughts were that it was fair to deduct £30 for the paint damage to the bumper but I couldn't see significant damage to the front wing.

I shared my thoughts with Tesco as it differed to the investigator's opinion. They said their engineer had advised that as the car is a prestige vehicle the retail rectification cost would be well above the £130 deducted and they felt it was reasonable to deduct it.

They also said their engineer had highlighted where the vehicle's wing had been repaired using body filler and had been poorly refinished. They pointed out blemishes and indentations which suggested a substandard repair.

Mr B's engineer has said there isn't any evidence of a poor pre-accident repair and I can't see from the evidence available there has been. From looking at the pictures it seems plausible the wing has been re-painted at some point as you can see the difference in colour on the edge of the panel. But from what I can see it doesn't seem significantly out of shape.

It's possible a repair has taken place but there's no indication of when the repair may have happened. The blemishes could have occurred after the repair, there isn't any evidence to suggest it was as a result of a repair itself.

Overall, I don't think this makes a difference here as I don't think the wear and tear pointed out would significantly impact the value of the vehicle and would likely be reflected in the overall valuation of the car given its age.

If you were selling a vehicle, the price is adjusted according to the overall condition. I think it's likely a deduction would be made for the paint damage to the bumper. But for the reasons explained I don't think the condition of the wing would have made a difference to the overall market value.

Given this I think a fair overall value would be £4190. This takes account of the fair market value of £4220 minus £30 for the paint damage Tesco had deducted which is 50% of the retail cost for repairing this.

My final decision

My final decision is that Tesco Underwriting Limited should pay Mr B £4190.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 April 2022.

Karin Hutchinson
Ombudsman