

The complaint

Mr T is unhappy with the amount he was offered by U K Insurance Limited ("UKI") in settlement of his claim after his car was declared a total loss.

What happened

Mr T had a car accident in February 2021 and his car was declared a total loss. He was offered the value of £13,950 (less the £600 excess) for his car based on the insurer's valuation guides. Mr T had purchased his car seven months earlier for £17,995 (and has provided the receipt for this) and is not happy with the price offered. He said the guide values are not accurate for his vehicle and that the valuation increased significantly when he added details about his car's specifications into the valuation tools.

Mr T says that UKI hasn't considered that the model was only made between 2007-2009 and commands a premium as there are only relatively few available left on the road. The car has modifications such as different door panels, trim, nappa leather, imprint on headrests and updated driver infotainment included in the model of car from 2007-2009. The car also had upgraded options including alloys, TV function, extended merino leather, comfort access, soft close doors, active seats and rear blinds which were selected from new. Mr T said that he has also bought new headlights and taillights and says the car has had around £9,000 worth of work completed on it. Mr T has since confirmed that he didn't add any further modifications to the car himself and that the references above were all optional extras selected by the owner from new in 2007.

Mr T has provided evidence from classified adverts for what he says are similar vehicles ranging in price between £16,000 and £19,995 and says that more emphasis should be put on these. He says that he did not declare the modifications as he bought the car like this and they are factory-fitted optional extras rather than modifications. He therefore assumed that these would be included in the cover. Mr T says the engineer was dismissive of their value due to the age of the car but that he found they made a difference when he ran them through the valuation guide.

UKI says that it uses multiple motor vehicle industry recognised valuation guides to provide a starting base value and then adjusts this for mileage, condition and making allowances for non-standard options. Its engineer's valuations were CAP at £13,950 and Glass's at £11,300 (no adjustment for options) and it has provided evidence of these. UKI says it was not made aware of the modifications. It didn't add any more for the options as the vehicle had ten previous owners. UKI says that as Mr T hadn't purchased the options they would have been included in the selling price and market value. It says that it has carried out a review of the valuation given to Mr T's vehicle and remains satisfied that the value is a fair and accurate reflection of the current market value as agreed by its engineers.

Our investigator looked into the complaint and didn't think UKI needed to take any action. She found that Mr T hadn't declared any modifications when he took the policy out as required by the policy terms. So she didn't think that UKI should increase the valuation based on modifications as they were not declared and didn't think UKI had done anything wrong. Our investigator considered the selling prices and adverts provided by Mr T but found

that these were not reliable in this situation as the mileage, age and specifications varied. She concluded that she agreed with the pre-accident valuation provided by UKI.

Mr T disagreed with this so the case has come to me to make a decision. He maintains that the valuation guides for his vehicle are incorrect and says that this has caused him financial detriment. The age, mileage and the fact it is an LCI model warrants a much higher price than the valuation guides suggest even before the optional extras have been taken into account. Mr T says that he has not been treated fairly and has not been indemnified after his loss as there has not been a fair valuation of his car.

I set out in my provisional decision dated 17 March 2022 (reproduced below) why I was minded to uphold the complaint as UKI had not treated Mr T fairly. I also set out what it should do to put things right, by paying Mr T an additional £1,881 in respect of his claim along with interest. I invited both parties to let me have any further comments and evidence by 14 April 2022.

UKI reviewed the provisional decision and agreed with the outcome. Mr T agreed with the provisional decision but did not agree with the 8% interest payment which he calculated to amount to approximately £150. He said that he did not believe this was fair and reasonable to apologise for the stress and inconvenience, considering the amount of times he had had to respond to this service and the time taken to reach this conclusion. He thinks £250 would be more acceptable.

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.

In my provisional decision I set out the following:

“Having carefully considered all the evidence and arguments, I disagree with the investigator and think that the valuation of Mr T's vehicle should be increased for the reasons I've explained below.

Mr T's policy sets out that UKI will not pay more than the market value of the car in the event of damage. Market value is defined as “the cost of replacing your car with another of the same make and model and of a similar age and condition at the time of the accident or loss.”

This service doesn't value vehicles, instead we check that an insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. In most cases we use the trade guides as they're based on nationwide research of likely selling prices and use advertised prices and auction prices to work out what likely selling prices would have been. I can see that this is what UKI has based its valuation on, but in this particular case I'm not persuaded that this has provided a fair and reasonable valuation.

I've looked at the evidence provided by UKI which shows the valuations it considered as being £13,950 from the first guide and £11,300 from the second for Mr T's car with a mileage of 78,000 as agreed between the parties. I am satisfied that the guide values considered by UKI were taken at the time and I can see UKI has taken the higher of these valuations when offering the settlement figure to Mr T.

However, Mr T has said that his main issue is that the valuation guides are incorrect, which is based to a large extent on the fact that his model of car has a number of

specifications and options as set out above. He has confirmed that any modifications to the car were all optional extras selected by the owner from new in 2007. He said the insurer should think about whether the amount he recently paid for the car indicates that the guides are wrong and that it should review other evidence, such as adverts, to get a fair valuation. Mr T has also provided adverts; there is a large range in the figures provided but these are all higher than the valuation guides.

It appears to me that the valuations considered by UKI have not taken into account the optional extras on Mr T's vehicle and only relate to a basic model. As Mr T provided information about the specifications of his vehicle and had paid a higher amount, I think UKI should have done more to consider the valuation of his car.

To consider whether UKI reached a fair and reasonable valuation our investigator asked for a bespoke valuation from the first guide and also used a third valuation guide to produce a valuation for Mr T's car. The bespoke valuation from the first guide was £14,845 as of February 2021 and the third guide gave a valuation of £16,817.

The valuations considered by UKI only took into account the basic model and I think it should have done more to take into account the information provided by Mr T about the higher specifications of his vehicle. I consider that the two valuations obtained by our investigator better reflect the value of Mr T's vehicle and are closer to the prices on the adverts provided by Mr T from the time of this claim. It is therefore my provisional view that it would be fair and reasonable for UKI to take the average of these two valuations, which is £15,831.

I can see that UKI has already paid Mr T £13,950 in respect of his claim. It should therefore pay him the additional £1,881 along with 8% simple interest to compensate Mr T for not having the money. UKI should calculate this from the date it paid Mr T the £13,950 until the date it makes payment."

Following this provisional decision, UKI made no further submissions. Mr T agreed with the provisional decision but did not agree with the 8% interest payment which he calculated to amount to approximately £150. He said that he did not believe this was fair and reasonable to apologise for the stress and inconvenience, considering the amount of times he had had to respond to this service and the time taken to reach this conclusion. He thinks £250 would be more acceptable.

I have considered what Mr T has said and this seems to relate to two different issues: firstly, interest and, secondly, compensation for distress and inconvenience.

In relation to the 8% interest, this reflects the current statutory interest rate on judgment debts and I haven't seen any evidence to suggest this rate would be inappropriate in the circumstances of this case.

In relation to a payment for distress and inconvenience, this service has the power to make such an award on top of asking a business to compensate for direct financial loss if appropriate to do so. Mr T has complained about the time taken since the complaint was brought to this service and the fact that he has had to respond to information requests from this service. So I can't say that this is something which has directly been caused by UKI. Making a complaint will inevitably involve some time and inconvenience. I have considered any distress or inconvenience caused as a result of UKI not paying Mr T the amount it should have done in respect of his claim and I don't find that an award for distress and inconvenience is warranted in the circumstances of this case.

Putting things right

For the reasons set out above and in my provisional decision, I uphold this complaint and require UKI to:

- Pay Mr T an additional £1,881 in settlement of his claim.
- Pay Mr T 8% simple interest in respect of the above, calculated from the date it paid Mr T the £13,950 to the date of payment.

My final decision

For the reasons set out in my provisional decision and above I uphold this complaint and require U K Insurance Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 2 June 2022.

Rachel Ellis
Ombudsman