

## **The complaint**

Mr I has complained about the total loss settlement he received from Advantage Insurance Company Limited when he made a claim under his car insurance policy.

All reference to the insurer Advantage in my decision includes its agents.

## **What happened**

Mr I bought a car insurance policy with Advantage. In July 2021 his car was stolen and so he made a claim. Mr I's car was recovered shortly after but Advantage deemed his car a write off due to the damage caused.

Advantage discovered that one of the named drivers had an undisclosed speeding conviction. If Advantage had known about the conviction, this would have increased the premium Mr I paid for cover. So in line with legislation which covers misrepresentation, Advantage reduced the settlement amount proportionately in line with the lower premium amount Mr I paid Advantage.

Mr I complained that on multiple occasions Advantage told him the total loss settlement would be £4,067. He said he understood this was the amount after it had made an 11% deduction. But Advantage actually paid a total loss settlement of £3,619.63.

Mr I complained to Advantage. It said it had paid the correct amount. But it apologised for providing Mr I with incorrect information about the amount in previous calls and paid him £50 compensation for its poor service.

Mr I remained unhappy and brought his complaint to us. He thought the settlement was too low and he found similar cars for sale online for more.

Advantage's engineer wasn't able to view the mileage on the car on inspection— so he based the valuation assuming mileage of 47,500. This was based on the previous two years' MOTs in 2019 and 2020 (Mr I owned the car during this time) and divided by the number of months up to July 2021.

Our Investigator thought Advantage hadn't used the correct mileage when deciding a valuation for Mr I's car. In November 2021 she carried out a HPI check on Mr I's car as it appeared to have been sold on after it was written off. This check showed the mileage of Mr I's written off car in October 2021 under its last MOT as 46,499. The Investigator took an average between that mileage and Mr I's MOT from October 2020 and carried out valuations against the main motor trade guides. This was 45,000 miles.

The average of the main motor trade guides provided a market value of £4,382.33 – before applying the 11% reduction which the Investigator thought was fair to do. So she recommended Advantage pay the difference to Mr I with interest.

Advantage didn't agree as it said the Investigator's HPI check was carried out several

months after it had settled the claim. It said this information wasn't available to Advantage at the time and the mileage the engineer used was correct based on previous MOTs.

I issued a provisional decision on 21 March 2022. I thought Advantage hadn't shown that the starting point valuation it used of £4,0617 was reasonable. But I thought Advantage's decision to rely on the average mileage using the previous year's MOT record was fair. After checking the main motor trade guides I thought Advantage should increase the total loss settlement sum by £326.93 with interest.

Mr I didn't reply to my provisional decision. Advantage accepted my provisional decision.

So the case has been passed back 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, my final decision is on the same lines as my provisional decision – as I haven't received any new information.

I think Advantage was entitled to reduce the claim settlement proportionately to reflect the undisclosed speeding conviction of one of the named drivers. I've found that Advantage acted in line with the legislation that covers misrepresentation called the Consumer Insurance (Disclosure and Representations) Act 2012.

So the remaining issue for me to decide is whether the total loss settlement Advantage paid was reached in a fair way.

We don't decide a valuation. But we can look at whether an insurer has reached its valuation reasonably and in line with the policy.

Mr I's policy with Advantage says the most it will pay in the event of a claim is the market value of Mr I's at the time of loss.

We find that generally the more reliable way to reach a fair valuation for standard cars is to look at the main motor trade guides. They provide valuations based on the same make, model, age, condition and mileage of a car based on nationwide research giving likely selling prices.

I don't think Advantage's engineer did anything wrong in using mileage of 47,500 when providing a valuation for Mr I's car. I say this because it is the amount of mileage between 2019 and 2020 MOT records divided by the number of months Mr I had his car up until the month of loss. In the absence of being able to read the car's mileage at the time, I think this was a reasonable approach to take.

I cannot rely on any evidence that wasn't available to the business at the time. So I'm disregarding the mileage recorded on a MOT under the car in October 2021. But – having checked the valuations using the mileage average of 46,499 and the engineer's mileage of 47,500 I can see the difference in the valuations is between £8 and £30. So in any event, I wouldn't consider this an amount sufficient enough to say Advantage had paid an unfair valuation.

However, the engineer's valuation for Mr I's car on the total loss report is £4,281. We asked

Advantage why it used a starting market value of £4,067 rather than the engineer's listed valuation.

Advantage said in response;

*"I believe you are referring to a note left on the claim (14/07/2021) stating the vehicle value as £3,955 as given by (name of one of the motor trade guides inserted here). This figure was not given to the customer and was used as a rough estimate to update our reserves to have an accurate idea of what we would be paying Mr I."*

I don't think Advantage has explained why it used a starting market value which was different to the engineer's valuation. Having checked the main motor trade guides using the mileage of 47,500 we found that the engineer's market value of £4,281 matched two of the three valuations we obtained. But using all three available valuations, I found the average of the three guides came to £4,434 for a car similar to Mr I's.

So in the absence of a clear explanation from Advantage, I don't think the starting market value it relied on of £4,067 was fair. I think a fairer starting market value was £4,434. Based on this sum, I therefore think a fairer total loss settlement - after deducting 11% - is £3,946.26. Advantage paid Mr I £3,619.63. This means I think Advantage should pay Mr I the difference of £326.63.

Advantage said that there was a non-disclosed claim under the policy which could have resulted in further deductions but it elected not to do this. I don't think it's fair or reasonable for Advantage to now consider any further deductions - as it made the decision to settle the claim without taking this into account.

### **My final decision**

My final decision is that I uphold this complaint. I require Advantage Insurance Company Limited to increase the total loss settlement it paid Mr I to £3,946.26 and pay the difference of £326.93. Advantage should pay interest on the difference from the date of the claim to the date it pays at a rate of 8% simple interest a year.

Advantage Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mr I accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

If Advantage Insurance Company Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr I how much it's taken off. It should also give Mr I a tax deduction certificate 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 I to accept or reject my decision before 17 May 2022.

Geraldine Newbold  
**Ombudsman**