

The complaint

Mr B's unhappy with the amount esure Insurance Limited (EIL) has paid for a claim made on his car insurance policy.

All references in this decision to EIL include its appointed administrative agents.

What happened

In response to Mr B's claim with EIL following a road traffic accident, it considered his car to be a total loss. It offered him £3,000 for the loss of his car, having deducted £744 for what it deemed to be pre-accident damage sustained to it.

Believing his car to be worth more than £3,000, Mr B complained to this service.

Our investigator ultimately recommended the complaint be upheld. They felt that the amount EIL deducted for pre-accident damage relating to the car's bonnet was fair based on the evidence provided. But they also felt the remaining items EIL had deducted hadn't been fairly taken off. In addition, the investigator believed it would be fair for EIL to discount the lowest of the three third-party car valuations it had obtained. All of this meant the investigator believed EIL should pay Mr B the shortfall plus interest at 8%.

Mr B was willing to accept the investigator's findings. EIL didn't agree with them, so the complaint was passed to me to review afresh. In summary, EIL remained satisfied with the valuation it had arrived at.

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, I've decided to uphold the complaint. I'll explain why.

I'm pleased to see that the parties agree on the pre-accident damage deducted in relation to the bonnet of Mr B's car. As such, I see no need to address that aspect in any detail in this decision other than to confirm that I believe EIL was entitled to deduct £308.52 from the settlement amount for that item.

This leaves two main issues for me to consider – the remaining items deducted on the basis that the damage was sustained pre-accident and the market value of the car from which the value of any pre-accident damage might be deducted.

Market value

The policy terms define the market value as the amount a car could reasonably expected to sell for on the open market immediately before the accident or loss. EIL says this is based on the car itself and on research from specified motor trade guides.

In this case, EIL's provided evidence of valuations from three motor trade guides:

- Motor trade guide A, which valued Mr B's car at £4,090;
- Motor trade guide B, which valued it at £3,757; and
- Motor trade guide C, which valued it at £3,228.

EIL added those values and divided by three to come to a market value of £3,691. On the face of it, that might seem a reasonable course of action. But, looking at things more closely, I note the valuation provided by motor trade guide C is very different from the other valuations obtained – it's more than £500 lower than the next lowest valuation. Relative to the amounts concerned, I think that's a significant difference.

With that in mind, I think it would have been fair for EIL to discount the valuation from motor trade guide C from its calculations and instead base the market value on the two remaining valuations. I work that new average out to be £3,923.50. I think that broadly represents a fair market valuation for Mr B's car in the circumstances.

Pre-accident damage

I think it's important to stress that there may be instances where an insurer will be entitled to reduce any claim amounts paid in respect of damage that existed prior to the incident or loss. That's because existing damage will often have an adverse effect on a car's market value.

As I've already said, I conclude that it was fair for EIL to deduct £308.52 regarding the car's bonnet, based on the report of its engineer and the evidence I've seen overall.

EIL took a further £435.48 off the market value regarding other items of pre-accident damage. I've considered these items and related amounts very carefully. Having done so, I'm not satisfied that EIL was entitled to make these further deductions.

I say that because of the nature of the damage EIL refers to and the age of Mr B's car. EIL mentions, for example, scratches on the bumpers and alloys wheels and a panel dent. None of these, as far as I can tell from the available report and images, are more significant than might reasonably be expected on a car approaching 20 years old as Mr B's was at the time.

It follows that I don't believe it was fair for EIL to deduct the additional £435.48 from the car's market value.

Settlement amount

On the basis that a fair market value for Mr B's car was £3,923.50, and that EIL was entitled to deduct £308.52 for pre-accident damage, I calculate a fair settlement amount in this case to be £3,614.98. This is £614.98 more than the £3,000 EIL offered to settle the claim for.

Putting things right

I think EIL should pay Mr B a total of £3,614.98 in settlement of his claim (including, and not in addition to, any amounts it's already paid him). It should add interest at the simple rate of 8% a year on the difference between £3,614.98 and the sum of any amounts it's already paid him, calculated from the dates such amounts were paid to the date of full settlement.

My final decision

For the reasons given, I uphold this complaint. I require esure Insurance Limited to put

things right for Mr B as explained above.

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

Nimish Patel
Ombudsman