

The complaint

Mr S is unhappy with the amount AA Underwriting Insurance Company Limited offered to settle a claim he made under his car insurance policy.

Mr S' car was damaged in an accident. AA accepted the claim and offered to settle it by paying the market value. It estimated this to be £7,773 based on two trade guides. Mr S said this wasn't enough for him to buy a similar replacement car. AA maintained its position.

Our investigator considered a third trade guide, which gave a higher estimate. Taking all three into account, he thought £8,175 was a fairer estimate and AA should increase its offer. Mr S agreed. AA didn't – it said the third trade guide was 'disproportionate'.

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.

The circumstances aren't in dispute, so I'll summarise the main points and my findings:

- AA accepts the claim is covered. This dispute is about the fair settlement value for it. The policy says AA will pay up to the 'market value'. That's defined as:

The cost of replacing the Insured Car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss.

- I'm satisfied it's reasonable to estimate that cost by using reputable trade guides. They use extensive research to estimate likely sales figures and are generally more reliable and indicative of the actual market value than adverts.
- AA used two trade guides, which provided figures of £7,875 and £7,670. Our investigator considered a third guide, which provided a figure of £9,062. AA thought this third figure should be disregarded given its difference to the first two.
- Where one estimate is *significantly* different to others, I may consider it doesn't accurately reflect the market value and disregard it. But I'm not persuaded the third figure is significantly different in Mr S' case.
- Taking into account the third figure increases the average to £8,175, or around 5% more than the average of the first two. I'm not satisfied that indicates one of the figures is significantly out of line with the remainder – it appears to be another estimate within a reasonable range, so I think it would be fair to include it. That means I'm satisfied £8,175 is a reasonable estimate of the market value and it would be fair to use that figure to settle the claim.
- The difference between that figure and the amount AA estimated is £402. AA has already paid Mr S £7,523, which is its original offer less the policy excess. So to put things right, it should now pay the additional £402.

- In line with our usual approach where a consumer has been without money unfairly, AA should also add interest to the additional amount.

My final decision

I uphold this complaint. I require AA Underwriting Insurance Company Limited to:

- Pay an additional £402 to settle the claim.
- Add interest to this amount at 8% simple per year from the date the initial settlement was made until the date the additional amount is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 October 2022.

James Neville
Ombudsman