

The complaint

Ms Y has complained that Ageas Insurance Limited paid less than they should have done in settlement of her claim under her motor insurance policy following the theft of her car.

What happened

Ms Y's car was stolen and she made a claim under her policy with Ageas. They asked her to provide various documents and then told her she'd have to wait 14 days before they could settle the claim in case the car was recovered by the police. Ms Y was unhappy about this, as she was struggling without a car. However, she waited the 14 days. Ageas sent her an email with their initial offer after the 14 days were up. This was £7,200, less the £200 policy excess. The claim handler said in his letter that the value of Ms Y's car had been assessed at £7,200. Ms Y wasn't happy with this and sent some adverts to show she couldn't replace her car like for like for this amount. She had several telephone conversations with the claims handler who said he would do some research. He then made a revised offer of £8,210, less the excess. In his letter he said that Ageas had consulted a number of recognised vehicle valuation guides and considered the engineer's findings and the mileage of Ms Y's vehicle. And that – as a result of this – they'd increased their valuation to £8,210.

Ms Y still wasn't happy with the valuation and complained to us. In the meantime, Ageas paid what they'd offered. And Ms Y borrowed some money from friends and family to add to this to buy a replacement car. Her car was later recovered by the police, but – as Ageas had already paid the settlement amount – they took ownership of the car.

One of our investigators considered Ms Y's complaint and said that what Ageas had offered was fair, as it was in line with the guides we used for checking the market value of vehicles.

Ms Y didn't agree and asked for an ombudsman's decision.

I issued a provisional decision on 20 July 2022 and I set out what I'd provisionally decided as follows:

Under Ms Y's policy if her car is stolen and not recovered, it is classed as a total loss. And the policy says the maximum Ageas will pay in this situation is the market value, less the policy excess. The market value is defined as the cost of replacing the insured vehicle with another of the same make, specification, model, age, mileage and condition at the time it was stolen.

The original offer made by Ageas's claim handler was clearly wrong and he should not have made this. He clearly had access to two recognised valuation guides and both of these put the value of Ms Y's car, that is the cost of replacing it, at over £8,000. So, it was inappropriate and unacceptable for him to make an offer based on a market value of £7,200. This would clearly have caused Ms Y a great deal of unnecessary concern and frustration.

And I can tell from listening to recordings of her telephone conversations with the handler how concerned and frustrated she was. And it is clear it was quite an arduous process for her to go through in waiting for the handler to reconsider and to later refer the matter to his manager. Also, he said he was carrying out research, but he had the correct value according to the guides from the outset.

The handler did eventually offer a settlement based on the market value in the higher of the two guides he had access to. However, I don't think he paid enough attention to the adverts for similar cars Ms Y had provided. These suggested similar cars were being advertised for sale at between £9,000 and £11,000. And I think this should have alerted him to the possibility that the guides he had access to were wrong. It's unusual for guides to be wrong, but the handler should have been aware this could happen and that sometimes more research is needed and more weight needs to be placed on adverts. There are also other guides, which Ageas have chosen not to provide their claim handlers with access to, so the handler couldn't check these. But, if he had been able to, these would have suggested a market value of around £9,200. I know this because I've checked these guides and one gives a value of £9,187 and the other £9,299.

So, the evidence I have shows me that the handler's failure to carry out enough research and stick rigidly to the value in the guides he had access to meant he failed to realise the guides he was using were likely to be wrong. I think this meant he offered Ms Y £1,000 less than he should have done in settlement of her claim. I say this because if he'd carried out the right level of research I think he'd have realised the correct market value was around £9,200 and not the £8,210 he'd suggested.

This means I think as part of the fair and reasonable outcome to Ms Y's complaint Ageas should pay her a further £1,000 in settlement of her claim. They should also pay interest on this amount at our normal rate of 8% per annum simple from the date they settled her claim to the date of actual payment. This is to compensate Ms Y for being without money she should have had.

I also think the inappropriate settlement offer and the arduous process Ms Y had to endure in achieving this caused her a considerable amount of distress and inconvenience in what was already a very stressful time for her. Therefore, I think Ageas should pay her a further £300 in compensation for this.

I gave both parties until 3 August to provide further comments and evidence. Ageas have said the reason their claim handler initially based his offer on less than the guides suggested it would cost Ms Y to replace her car, was because at the time he was considering the matter it hadn't been recovered. And he took into account that it had had three previous owners and was more likely to have existing damage on it because of where Mrs Y parked it. Ageas also pointed out that their revised offer was more than Ms Y had paid for her car around six months previously. They've also said that adverts are often not for cars that are exactly the same as the one insured under the policy and not indicative of the actual market value based on sold prices like the guides that they use.

Ageas feel the award I've suggested for distress and inconvenience is high, as the time between their initial valuation to Ms Y and the increased valuation was short, as they increased their offer the same day.

However, Ageas have said they are prepared to accept my provisional findings and make the payments I've suggested.

Ms Y initially said she accepted my provisional decision. However, she has since made some further points she'd like me to consider. She said she should have been told that

Ageas paying her claim was going to increase her premium. That Ageas have never told her what was recovered from her car when it was found. She also thinks the compensation for distress and inconvenience should be higher, as she is still left with problems she can't resolve. And she's said Ageas needs to look at the way they speak to customers, as they shouldn't be made to feel small if they are trying to explain something. Ms Y has also mentioned she's unhappy that Ageas didn't call her back to discuss her complaint before issuing their final response. She's also said she thinks her car was worth more than I've suggested. Plus, Ms Y has raised a number of concerns about conversations she had with her insurance broker and is unhappy that she was not told her no claims bonus would be impacted by her claim.

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.

I've noted Ageas's comments and I am pleased they've accepted my provisional findings. However, I think it is worth me pointing out that the guides Ageas use – in the main – use advertised prices to work out likely selling prices, as opposed to sales data. And one of the guides we now use does actually include sales data. However, my point was that – whilst adverts aren't usually an indication that the guides are wrong, they can be; and close attention needs to be paid to them if they are for like for like vehicles and the advertised prices in them are higher than the prices suggested by the guides the insurer is using. It's also common knowledge that cars now sell much more often at the advertised price and there is much less room for negotiation.

I'm concerned with Ageas's explanation for offering less than the replacement cost the guides they were using suggested. This is because – in my opinion - it is not appropriate or fair for an insurer to assume a car has pre-existing damage simply because it is usually parked on the street or somewhere similar. And the data the guides uses obviously reflects the fact some cars have had more owners than others.

It remains my view that the process Ms Y went through with her claim was arduous. I've listened to recordings of all the telephone conversations she had. And whilst these were over a fairly short period, she did have to keep chasing and arguing her case. Plus, the claim handler said he was carrying out research despite already having the correct guide figures. The amount I've awarded for distress and inconvenience also reflects the fact that Ms Y received a lot less for her car than she should have done and this in itself caused her significant issues.

I've noted Ms Y's comments in response to my provisional decision. First of all I should make it clear that if she wants to complain about her broker she will have to raise a separate complaint with us. Secondly, as our investigator mentioned when Ms Y spoke to her quite recently, we cannot consider complaints that are specifically about complaint handling, so I'm not going to comment on Ms Y's concern that Ageas didn't contact her to discuss her complaint before issuing their final response.

Ms Y hasn't previously complained about the fact she wasn't told her premium could go up if she made a claim and that her no claim discount would be affected. So, I can't consider these points either. But I can say that even if she had known these things it's still likely she'd have claimed, as she couldn't have afforded to replace her car without doing so. However, if she feels not being told about these things has caused her additional distress she can make a new complaint about them; although this would probably be better directed at her broker than Ageas.

I've noted what Ms Y has said about the value of her car. And I'd like to make it clear that the amount I've said Ageas should have paid is the market value less the policy excess, as set out in the policy terms. The market value is what it would have cost Ms Y to replace her car with one of a similar make and model at the time of the loss. And I'm satisfied that she would have been able to do this for the figure I've suggested. This doesn't necessarily mean she would have been able to find a car for that amount locally or particularly close to her home, as cars come on the market at different times and in different places. But – with a bit of shopping around and by widening her search area - Ms Y should have been able to find a suitable car for £9,200.

I can understand Ms Y's concerns about the way Ageas spoke to her and the problems she has been left with. But the amount I've awarded for distress and inconvenience reflects the impact of the poor service provided by Ageas and the issues that came directly from them offering less than they should have done in settlement of her claim. I appreciate there may be other issues, but I think these were more to do with the fact she didn't have guaranteed replacement car cover and the finance arrangements she had for her car.

Ms Y has not raised the issue of what was in her car when it was recovered previously, although I note she did ask Ageas if she could claim for some personal effects that were in it. But it would be helpful if Ageas could let Ms Y know whether there was anything in it when it was recovered and return any items that were still in it. Ageas should of course consider any payment due for personal effects and make one if appropriate and if it has not done so already.

Putting things right

For the reasons I've set out above and in my provisional decision, it remains my view that what I provisionally decided is the fair and reasonable outcome to Ms Y's complaint. This is that Ageas should pay her a further £1,000 in settlement of her claim, plus interest on this amount at 8% per annum simple from the date they paid what they had offered Ms Y to the date they actually pay the further £1,000. And Ageas should also pay her £300 in compensation for distress and inconvenience.

My final decision

My final decision is to uphold Ms Y's complaint and I require Ageas Insurance Limited to pay her what I've set out above if it has not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 6 September 2022.

Robert Short
Ombudsman