

The complaint

Mr T complains about the settlement payment esure Insurance Limited (esure) offered him following the total loss of his car, under his motor insurance policy.

What happened

Mr T was involved in a car accident. He made a claim to esure and it arranged for the damage to be assessed. It was determined that the car was beyond economical repair and so it was categorised as a write-off. esure initially offered Mr T £23,171 less the £1,100 policy excess. This offer was later increased to £23,853.

Mr T says to replace his car he had to pay £41,980 for the same model and the new car had done 3,000 more miles than his previous car.

esure says it used the industry trade guides to establish the market value of Mr T's car. It didn't agree to increase its settlement offer, so Mr T referred his complaint to our service.

Our investigator upheld his complaint. He thought esure's approach to establishing the market value of Mr T's car was fair. He says its settlement offer fell within the range of values obtained. However, esure had reduced the valuation by £300 with respect to the condition of the car. Our investigator asked for evidence to support the reason for the deduction.

esure couldn't provide supporting evidence so he thought it was fair that this amount be paid to Mr T as part of the settlement figure. This was in addition to 8% simple interest for the unpaid amount and £100 to acknowledge the distress and inconvenience caused.

Mr T didn't agree with this outcome and asked for an ombudsman to consider his complaint.

It has been passed 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 I've decided to uphold this complaint. I won't be adding to the redress our investigator recommended, which I understand will come as a disappointment to Mr T. But I will explain why I think my decision is fair.

I can understand that Mr T wants the best possible settlement for the loss of his car. Mr T said he couldn't find a like for like replacement for esure's offer. But his policy doesn't provide for a like for like replacement. It provides the market value in the case of a total loss. This is defined in the policy booklet as:

"The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at

the time of accident or loss. This value is based on research from motor trade guides including: Glass's, Parkers and CAP. This may not be the price you paid when you purchased the car."

The approach our service takes in these circumstances is not to provide a valuation but to consider whether the approach the insurer used was fair.

In assessing whether a reasonable offer has been made, we look at valuations from the main motor trade guides. These are used for valuing second-hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

I can see that esure obtained valuations for Mr T's car that ranged from £23,550 up to £24,520. It discounted one valuation, which was significantly higher than the others at close to £29,000. I think this was reasonable and is also the approach our service takes in these circumstances. I can see that esure used the correct make, model, age, and mileage for the car. It then agreed a settlement payment for £24,153, albeit it decided to reduce this by £300 due to the car's condition.

Our investigator also obtained valuations using the motor trade guides. I've checked to see how this was done. I can see that he used the correct information for Mr T's car and the valuations were taken from the date of the accident. These valuations gave a range between £23,550 and £24,750. The higher end is slightly more than esure's range. One of the valuations he obtained was significantly higher than this. However, he explained this guide wasn't being used at the time esure obtained its valuations. He didn't think it was fair to include this.

I think it's reasonable to discount the higher valuation, which is closer to £27,000. The other values are grouped closely together, which I think gives a more reliable assessment of the car's value. As above, we don't provide valuations but look to see that the approach esure applied is reasonable. The settlement payment it offered is within the range of values I've seen from the trade guides. So, I don't think esure behaved unfairly in how it calculated the market value or in the settlement payment it offered.

I've thought about Mr T's comments that he had to pay in excess of £40,000 to replace his car. But from the information he's provided I don't think this represents a like for like replacement with the car that was damaged.

I've thought about the deduction esure made for the condition of Mr T's car. I'd expect this to be supported with an engineer's report or other information to show why it was reasonable to deduct this amount. We asked esure to provide this information – but it wasn't able to. I don't think this deduction has been justified so it should be taken off the settlement figure.

This has delayed Mr T receiving the full settlement payment for his car. I agree with our investigators view that this caused him inconvenience and distress. It's fair that it pays him £100 compensation to acknowledge this.

My final decision

My final decision is that I uphold this complaint. esure Insurance Limited should:

- pay Mr T a total settlement payment of £24,153 minus the policy excess, plus 8% simple interest on the outstanding amount from the date the settlement was agreed until payment is made *If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr T how much it's

taken off. It should also give Mr T a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and

- pay Mr T £100 compensation for the inconvenience and distress it caused.

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

Mike Waldron
Ombudsman