

The complaint

Mr C complains about the settlement that Advantage Insurance Company Limited offered him after he made a claim on his motor insurance policy. He wants this increased.

What happened

Mr C's car was stolen and not recovered, and he made a claim on his policy. Advantage offered him £3,700, less the policy excess, as the market value of his car. It said this was affected by the car's higher than average mileage. But Mr C thought his car was worth nearer £7,000.

Our Investigator recommended that the complaint should be upheld. She found further valuations of Mr C's car in the guides we use and thought that Advantage's valuation was unfair. She thought it should increase its settlement offer by £1,312.50, with interest.

Advantage replied that it agreed that the further valuations should be considered. But it thought either all should be considered, or the higher and lower valuations should be discounted.

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 can understand that Mr C wants a fair settlement for the loss of his car. I can see that his policy provides for the car's market value in the case of its total loss. The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to see whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from 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 take into account regional variations. We also take all other available evidence into account, for example, engineer's reports.

Our Investigator thought Advantage's valuation was unfair. And so I've checked how she came to this conclusion. Advantage had found a valuation of Mr C's car in one of the guides we use. But the Investigator found valuations in two other guides. I think using a range of guides is in keeping with our approach to treat consumers fairly.

Mr C provided advertisements for cars similar to his own advertised at higher prices. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices.

I can see that the Investigator looked for cars of the same make, model, age, mileage, specification and condition as Mr C's car at the date of its loss. The three valuations had a wide range. So, again in keeping with our approach, she discounted the outlier and took an average of the two other valuations.

Advantage disagreed with this approach, so I've checked whether it was fair and reasonable. The three valuations were £3,700, £4,612 and £5,404. The gaps between them were £912 and £792 respectively. I think the £120 difference is significant enough to justify dismissing the lowest valuation. And I think it's reasonable to then average the remaining two valuations.

This leads to a valuation of £5,012.50. And so I think Advantage's valuation of £3,700 was unfair. After deductions of the £745 policy excess and the previous valuation of £3,700, this means that Advantage should pay Mr C a further £1,312.50 in settlement of his claim. And, as Mr C has been without his money for some time, I think Advantage should reasonably add interest to this amount.

Putting things right

I require Advantage Insurance Company Limited to pay Mr C £1,312.50 further in settlement of his claim for the loss of his car, adding interest at the rate of 8% simple per annum from the date of the claim to the date of payment of the balance.

If Advantage considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Advantage Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 18 November 2022.

Phillip Berechree
Ombudsman