

The complaint

Miss M complains about the value that Markerstudy Insurance Company Limited put on her car when she claimed on her motor insurance policy after she had an accident. She's also dissatisfied with the time it took to deal with her claim.

What happened

Miss M has been represented in her complaint by her father. Miss M has a comprehensive motor insurance policy with Markerstudy. In mid-January 2022 she had an accident when she was driving and her car was damaged. She made a claim on her policy.

Just under six weeks after Miss M's accident Markerstudy wrote to her to say it had received its engineer's report, which concluded that her car was beyond economic repair -what's commonly referred to as a "write-off". It said the engineers had set a pre-accident value of the car of £6,450. And it said it would pay Miss M that amount, minus the £300 policy excess, once she confirmed acceptance of the offer.

Miss M's father responded to Markerstudy's offer, saying he and Miss M didn't want the car to be written off. They wanted it repaired, and they didn't want it taken anywhere until this question was resolved. And he said he'd looked at a second-hand car trading website and concluded that Miss M would need £3,000 more than Markerstudy had offered her to buy a similar car, due to a sudden increase in the cost of cars. He forwarded details of adverts for cars he'd found online which he said were the nearest he could find to Miss M's car. He pointed out that Miss M had been without the use of a car since the accident. At the end of March 2022 Miss M's father told Markerstudy that a replacement car was being bought for £10,200.

On 9 May Markerstudy wrote to Miss M apologising that its original valuation of £6,450 was lower than it should have been. It said it had arranged for a payment of £50 to be sent to Miss M to apologise for this. And it explained that based on the average of two leading motor industry guides, it valued her car at £7,029. It followed this up with a letter saying that it was sending Miss M a settlement payment of £6,729, which was the revised valuation minus the policy excess. And it explained that the car now became the underwriters' property, and would be disposed of within 14 days.

Miss M says that her motor insurance policy states that Markerstudy will pay "market value". But she says that the amount that it's offered her is significantly below the true market value. She believes that the industry guides are out of date and don't reflect current prices of second-hand cars. And she's pointed to adverts for similar cars for sale at considerably higher prices than the amount Markerstudy has offered her. In the end, she says she had no choice but to buy the replacement car for £10,200.

Miss M is also unhappy about Markerstudy's handling of her claim. She says it took ten weeks for the car to be written off, and meanwhile she had no transport.

One of our investigators considered Miss M's complaint and thought it should be upheld. She said, in summary, that she thought Markerstudy had acted reasonably in the way it

handled Miss M's claim. But she thought it should have placed a slightly higher valuation on the car. So she recommended that Markerstudy pay Miss M the difference between the amount it sent her and the amount the investigator thought it should have settled the claim for.

Miss M didn't agree with the investigator's view, so the complaint's been passed to me.

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.

My role isn't to place a value on Miss M's car. Instead, I need to decide whether Markerstudy's settlement figure is within a fair and reasonable range and in line with the terms and conditions of the policy. So my starting point is to look at the policy wording.

The policy provided that Markerstudy wouldn't pay more than the market value of the vehicle at the time of loss. This is a term we see in most motor insurance policies.

"Market Value" is defined in the policy document as:

"The cost of replacing the insured vehicle at the time of loss or damage compared with one of the same make, model, specification and condition. ...The market value will be assessed by an automotive engineer in conjunction with the published trade guides at the time of loss."

Establishing the replacement cost of a vehicle isn't an exact science. It's usually possible to find adverts for cars for sale for a significantly higher price than someone would actually have to pay if they shopped around.

Our usual approach to complaints about valuations of cars is to look at motor trade guides for valuing second-hand cars. We find these guides persuasive because their valuations are based on extensive nationwide research into likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. They take into account all the specifications of the car, as well as mileage and any extras. If any guide's price is significantly higher or lower than the others, we may think it's reasonable to ignore it.

Markerstudy obtained the following valuations from two of the trade guides our service typically relies on. I'm satisfied that the valuations were based on the correct car model, date of loss and mileage. The valuations Markerstudy obtained were:

£6,863: Cazana (now "Cazoo")

£7,195: CAP

The figure it offered Miss M was the average of those two figures: £7,029.

Consumers sometimes say the amount they've been paid is unfair because they've seen similar cars advertised at higher prices. But we don't normally place as much weight on adverts to decide whether a valuation is fair. This is because the advertised prices are asking prices. They often mark the starting point of a negotiation, and are what the seller would like to achieve, rather than the price the car ultimately sells for.

We'd generally expect an insurer to provide us with full copies of its valuations. As Markerstudy didn't do so, our investigator ran the valuations again. As well as using the two guides that Markerstudy used, she ran a valuation using a third guide that we'd normally use - AutoTrader. AutoTrader has access to *actual* selling prices due to how it obtains its data, although it uses advertised prices where it hasn't been provided with the actual sales figure. The investigator's valuations were:

£7,448: Cazoo (formerly "Cazana")

£7,195: CAP

£7,652: Autotrader

While the Autotrader valuation is the highest of the three, it isn't significantly out of step with the others. And I consider that £7,432 – the average of the three valuations that the adjudicator obtained is a fair and reasonable value to put on Miss M's car.

I can understand that it was inconvenient to Miss M not to have a car while her claim was being processed. But less than six weeks passed between the accident and Markerstudy informing Miss M that her car was a write-off and offering to settle her claim. And having looked at Markerstudy's internal records, I'm satisfied that it made a reasonable effort to resolve Miss M's claim as quickly as possible.

I acknowledge that Markerstudy accepted that its initial offer was too low. But since Miss M wasn't satisfied either with Markerstudy's revised offer or with the higher figure that our investigator suggested, I'm not persuaded that this caused Miss M any additional inconvenience. In the end, Miss M wasn't satisfied with Markerstudy's valuation, and although I agree with the investigator that Markerstudy should pay Miss M a little more than it offered, that amount is still considerably less than Miss M believes Markerstudy should offer her.

Putting things right

To put things right, Markerstudy should:

- pay Miss M £403 in addition to the amount it's already paid her in settlement of her claim;
- add 8% simple interest per year to that additional payment, calculated from the date of the initial settlement to the date the additional payment is made.

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

My final decision

My decision is that I uphold this complaint. I require Markerstudy Insurance Company Limited to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 6 January 2023.

Juliet Collins
Ombudsman