

The complaint

Mr F complains that AA Underwriting Insurance Company Limited made an unreasonable offer as settlement of a claim he made on a car insurance policy.

What happened

Mr F insured his car with AA. The car was damaged in an accident and he claimed on the policy. AA accepted the claim and declared that the car was a write off. Its final offer in settlement of the claim was £51,107.50, which it said was the market value of the car at the time of the accident.

Mr F didn't accept this and complained to AA. He said to replace his car would cost considerably more than the amount offered. When AA rejected his complaint, he approached our service. Our investigator thought AA's offer was fair. Mr F didn't agree and asked for an ombudsman's decision.

My provisional decision

I previously issued a provisional decision on this complaint. In this I explained that while I considered our investigator had reached a reasonable conclusion, that AA's settlement was fair, it was for different reasons.

In the provisional decision, I said that one of the valuations from a trade guide which AA had relied on for Mr F's car, of £50,335, should be excluded because there was no evidence to support that this had been obtained using the correct details for Mr F's car.

I also said that as part of our investigation, we'd obtained two further valuations for Mr F's car using alternative valuation tools, of £53,891 and £53,285.

AA had provided evidence of two other valuations for Mr F's car, which were £49,500 and £51,880. In its original calculation, it had excluded the lower value as being too low.

In light of all these valuations, I considered that the £49,500 valuation should no longer be excluded as being too low, as if I were to do so, I'd also have to consider whether the highest value should be excluded as an excessive outlier.

I went on to outline our approach to these types of complaint, which is that where an offer is made by an insurer which is within the range of the valuations obtained from the various trade guides (once outliers have been excluded) then we'd normally say it's made a reasonable offer.

I concluded that AA's offer of £51,107.50 was within this range and so was fair in the circumstances.

The responses to my provisional decision

AA accepted my provisional decision and made no further comments.

Mr R didn't accept my provisional decision. He considered my provisional decision didn't address the points he'd raised in bringing the complaint to our service, particularly what our website says about our approach to these complaints.

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.

No new evidence around the valuation of Mr F's car has been provided following my provisional decision, so my further review has focussed on why Mr F considers the valuation he's been offered to be too low.

It's clear from the correspondence with both AA and our service that Mr F considers adverts for similar cars to his are more representative of the market value than the offer made by AA. Mr F has said his own research indicates the selling price for similar cars to his was on average more than £4,000 more than he was offered. I assume he's referring to the prices similar cars were advertised for, as I haven't seen anything from the relevant sellers confirming the prices and dates of sale, and details of the cars referred to by Mr F. On that basis, I have to conclude the valuations relied on by Mr F are for the advertised prices, not the selling prices.

In my provisional decision, I addressed the use of advertised prices, and their impact on complaints about settlement offers and market value. I said:

We normally consider that the valuation tools give a more accurate figure for market values, as they are based on likely and actual selling prices, advertised prices and other data.

Adverts alone aren't usually enough for us to say that a settlement offer is too low. I haven't seen anything which persuades me I should disregard the values given by the valuation tools in favour of the advertised prices found by Mr F. I'm satisfied the valuations I've relied on are based on accurate information about Mr F's car at the time of the loss. It was reasonable for AA to use these when establishing a fair offer in settlement of Mr F's claim.

I haven't seen anything additional from Mr F to change my opinion on this point.

Mr F also refers to a section of our website which says "Although, you should be aware that more recently, we've been told by some trade guides that generally cars are selling at or close to advertised prices." I don't think this is enough for me to say I should prefer the advertised prices found by Mr F as more indicative of the market value than the valuation tools. I note that the paragraph directly preceding this on the website says "We wouldn't normally place much weight on adverts to decide whether a valuation is fair. Differences in mileage or year of registration can significantly affect value, and sometimes the vehicle actually ends up selling for a lower price than advertised."

I'm satisfied the use of the trade valuation guides to establish the market value is a reasonable approach, and in line with how we generally consider these complaints. I haven't seen anything to persuade me that I should prefer the advertised prices found by Mr F.

I've looked again at the valuations obtained, and also considered the adverts provided by Mr F. I remain satisfied that the offer made by AA is reasonable, for the reasons I've previously given.

My final decision

It's my final decision not to uphold this complaint. I don't require AA Underwriting Insurance Company Limited to increase its settlement offer. Its offer of £51,107.50 was reasonable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 15 December 2022.

Ben Williams
Ombudsman