

## **The complaint**

Mr O complains about the settlement that Accredited Insurance (Europe) Limited offered him in settlement of his claim on his motor insurance policy for the loss of his car.

## **What happened**

Mr O's car was damaged in an accident. Accredited Insurance's agent assessed the car and deemed it to have structural damage that required it to not be repaired. Accredited Insurance initially offered Mr O £1,250 in settlement of his claim. After Mr O complained, it then said that its engineer had made an error and it said the car's pre-loss market value was £6,800. It offered Mr O £25 compensation for making the error. But Mr O remained unhappy.

Our Investigator recommended that the complaint should be upheld. He thought Accredited Insurance hadn't provided a reasonable valuation of Mr O's car in keeping with our approach. And he thought this should have been £8,015.25. He thought Accredited Insurance should add interest to the difference between what it offered and what it should have paid. And he thought it should pay Mr O £150 in total for the trouble and upset caused.

Accredited Insurance replied that it thought its valuation of Mr O's car was reasonable. It said it wasn't responsible for the delays in paying the settlement as it was waiting for Mr O to provide his V5 document.

## **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 see that Mr O wanted his car repaired. But, as both Accredited Insurance and our Investigator have explained, his car couldn't be repaired because it was deemed to be a Category B write off. And, in keeping with industry code of practice, it had to be disposed of. And so I'm satisfied that, in keeping with Mr O's policy, Accredited Insurance should then offer him the car's pre-loss market value in settlement of his claim.

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to 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 that Accredited Insurance's offer to Mr O wasn't reasonable. And so I've checked how he came to this conclusion. I can see that Accredited Insurance consulted one trade guide and didn't then use the valuation it provided. It hasn't provided us with enough information to verify that this valuation was correctly made. So I'm satisfied that this isn't fair or reasonable as it's not in keeping with our approach.

Mr O provided information about similar cars advertised for 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.

Our Investigator consulted four trade guides for valuations of Mr O's car. I can see that he checked for the correct make, model, age, mileage, condition and specification as Mr O's car. The range of valuations he found was evenly spread. So, again in keeping with our approach, he took an average of these and thought Advantage should increase its settlement offer to £8,015.25.

I think Mr O should have received the correct valuation in the first instance. Accredited Insurance said it corrected its initial error when it offered him just a fraction of the car's value. But Mr O was still without his money for some time. And I think it's fair and reasonable that Accredited Insurance should add interest to its settlement for the periods when it provided unreasonable offers.

Mr O said he and his family had to use taxis as they didn't have a car. And he wanted compensation for this. But his policy doesn't provide for a courtesy car in the case of total loss. And I'd expect Mr O to have mitigated his losses and accept Accredited Insurance's second offer to replace his car whilst his complaint continued. But he didn't do so. And so I can't reasonably ask Accredited Insurance to compensate Mr O for his transport costs.

Accredited Insurance said it wasn't responsible for the delays in paying the claim as Mr O hadn't provide the car's V5. And so it thought it need not pay interest. But I don't think this is relevant as the settlement offer hadn't been accepted and so Mr O not providing the V5 didn't cause any delays in the correct valuation being made and paid. I remind Mr O that he will need to provide this document and his bank details before his claim can be paid.

I can see that there was an initial delay in the car being assessed by Accredited Insurance's agent. And I think Mr O has been caused inconvenience by the unreasonable settlement offers. The Investigator recommended that Accredited Insurance should pay Mr O £150 in total compensation for this. And I think that's fair and reasonable as it's in keeping with our published guidance.

### **Putting things right**

I require Accredited Insurance (Europe) Limited to do the following:

1. Pay Mr O £8,015.25 for the market value of his car, less any applicable excess. It should add interest at 8% simple per annum to the difference between £8,015.25 and the initial incorrect offer £1,250 from 24 June till 29 June, and also on the difference between £8,015.25 and £6,800 from 29 June until the settlement is paid†.
2. Pay Mr O £150 compensation for the distress and inconvenience caused by the handling of his claim.

†If Accredited Insurance considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr O how much it's taken off. It should also give Mr O a tax deduction certificate 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 Accredited Insurance (Europe) Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 22 December 2022.

Phillip Berechree

**Ombudsman**