

The complaint

G says that UK Insurance Limited trading as NIG (UKI) has undervalued his vehicle following a claim he made on his motor trade insurance policy.

What happened

Following an accident G's vehicle was deemed a total loss. Initially UKI offered him £2,800 to settle the claim. But after a review it increased its offer to £4,000. UKI said this represented the market value of the vehicle.

But G doesn't think this offer is fair and wants UKI to pay what he thinks the vehicle is worth. G says this vehicle is worth between £5,000 and £10,000. G says that the insurer's approach to valuing this vehicle using the trade guides - is flawed, because this vehicle is an older vehicle (registered in 2004). G says this particular vehicle can't be priced using the motor trade guides. He says the open market and internet sales platforms give a truer picture of what this vehicle is really worth.

G brought a complaint to this service. An investigator looked at his complaint and initially raised a query over whether VAT was payable. However, once this question was clarified, our investigator spoke to G and said that the vehicle valuation was fair, and we wouldn't be asking UKI to increase it.

But G doesn't agree with either the valuation on the vehicle nor the approach taken to achieve it. So, he's asked for an ombudsman to review the complaint.

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'm not upholding it. I'll explain why.

As the VAT question wasn't part of the original complaint, and has since been clarified, I'm not going to comment on it here. I will only deal with the approach used and the valuation provided for G's vehicle in this decision.

This service has an established approach to valuation cases <https://www.financial-ombudsman.org.uk/consumers/complaints-can-help/insurance/motor-insurance/vehicle-valuations-write-offs> And when looking at the valuation placed on a vehicle by an insurance company, I have to consider the approach the insurer has adopted to decide whether the valuation is fair in all the circumstances. It isn't the role of this service to come to an exact valuation for a policyholder's vehicle. Our approach is to consider whether UKI has settled G's claim in line with the terms and conditions of his policy, fairly and reasonably using our established approach.

The policy pays market value. I've checked the motor trade guides for the value of G's vehicle at the time of the incident. Not all of the guides are able to produce a valuation on a

vehicle this old. But of the ones that do, £2,800 is the highest value. And that's what UKI initially offered G. But when G complained, UKI then had the value reviewed by two engineers, who agreed to increase it to £4,000

G says even this increased valuation is not a true reflection of the value of his car. He says that based on the evidence he's provided, £5,000 to £10,000 is a more reasonable valuation. G says the normal approach of using the motor trade guides is flawed in this particular instance because of the vehicle's age, and the real value of this vehicle is reflected via online vehicle sales platforms.

I agree there can be occasions when the standard approach is not the right one. For example, in the case of a bespoke or classic vehicle. And in today's volatile car market we would expect insurers to look across all the data it has available to get to a fair valuation, not just the motor trade guides. But that doesn't mean the motor trade guides are wrong – they are simply a source of evidence. They are reputable guides and the data within these guides is based on both sales and advertised prices across the UK and is regularly updated. So, I'm confident they are a solid reflection of what's happening on the ground in the UK motor trade.

I would also say that in this particular case, UKI actually did step outside the standard approach to make sure what it was offering was fair and reasonable. After G complained it sought the opinion of two engineers, who agreed to increase the valuation. So, I'm satisfied UKI considered the standard approach, and then evolved it to reflect what its engineers believed was a fairer reflection of the value of the vehicle.

But G remains unhappy and he's provided a number of adverts from online platforms which he says shows why UKI's valuation is unfair. And at a glance, I can see why G wants more for his car. Some of these adverts show the same make and model of vehicle for sale for prices up to and above £10,000. But out of the eight samples G has provided, four are from a different, more recent year, and many contain either no mileage or a mileage far below that of G's vehicle.

Mileage or year of registration can significantly affect a vehicle's value. And looking at the data presented about this specific vehicle, I can see that mileage in particular is having a major bearing on its value. The data is very clear. Similar vehicles from 2004 with low mileage can command high prices. But from what I can see, once this make and model of vehicle goes over 100k miles, the value goes down dramatically. G's vehicle is slightly above the average mileage and exceeds 100k miles. And taking this into account, alongside everything else, including the added extras G has listed, I can see that £2,500 to £4,000 is a true reflection of the price G's vehicle would have achieved on the date of loss.

So, even though I agree with G when he says that the standard approach to valuing a vehicle doesn't always give the fairest outcome, I'm satisfied UKI did step outside that approach and considered all the data it had available to get to a fair value for G. I know G will be disappointed. But based on everything I've seen, I'm satisfied the amount offered for the total loss of G's vehicle is fair and reasonable, so I won't be asking UKI to do anymore.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 13 April 2023.

Derek Dunne

Ombudsman