

## **The complaint**

Mr S complains about the settlement esure Insurance Limited paid him for the total loss of his car after he made a claim on his motor insurance policy.

## **What happened**

Mr S's car was declared a total loss and esure offered him £7,233 in settlement of his claim. It said this was the car's market value at the date of its loss. But Mr S said his car was worth about £11,200.

Our Investigator recommended that the complaint should be upheld. She couldn't find a valuation in the motor trade guides we use for Mr S's car with all its factory-fitted options. But she obtained a bespoke valuation of the car at £9,895. Mr S provided a dealer's valuation that was higher, but she thought this wasn't reliable. She also considered adverts for similar cars and noted the prices were considerably higher than esure's offer. So she thought the bespoke valuation was the fairest. She thought esure should pay Mr S the difference, £2,662, with interest.

Mr S agreed with this. But esure said it had followed our approach in using the motor trade guides to obtain a valuation. It said the optional extras wouldn't add much value for a car that was 15 years old.

## **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 S 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 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. But, whilst this is our general approach, car valuation isn't an exact science.

Mr S provided adverts for cars similar to his 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.

But I have looked at these adverts and can see that the selling prices are significantly higher than esure's settlement offer. In the most comparable example I've seen, the difference is about 30% more than esure's offer. This is more than we'd usually see when a seller includes its profit and leeway for negotiation.

Mr S also provided a valuation from a dealership. But I agree with esure that this should be discounted as it is likely to favour the consumer due to the dealership's financial interest.

esure said it correctly followed our guidelines and looked for valuations of Mr S's car in four of the trade guides we use. Three of the guides provided valuations and esure took an average of these to reach a settlement offer of £7,233. I can see that it looked for a car of the same make, model, age, mileage and condition as Mr S's car at the date of its loss.

But I can't see that it looked for the same specification. Mr S's car was unusual as it had all the possible optional extras factory fitted, costing about £12,000. Mr S has provided an invoice from the dealership to show this. And I think it's reasonable for these optional extras to be considered in the valuation of the car's market value.

Our Investigator looked in the guides for cars with these options, but no valuations were provided. esure said that in a car so old they would have little remaining value. I can see that esure could have looked in the guides for valuations with the optional extras, but it didn't do this. It looked just for the basic model.

So, in keeping with our approach, our Investigator obtained a bespoke valuation for Mr S's car with these optional extras included. And this led to a valuation of £9,895 as some of the extras were thought to be particularly desirable. I think this is more in keeping with the advertised prices for similar cars. And so I think it provides a fair and reasonable valuation of Mr S's car at the date of loss.

esure paid Mr S less than this valuation. And so, as Mr S has been without his money for some time, I think it should reasonably pay him interest on the difference.

### **Putting things right**

I require esure Insurance Limited to pay Mr S £2,662 more in settlement of his claim for the loss of his car. It should add interest to this amount at the rate of 8% simple per annum from the date of the initial payment to the date of final settlement†.

†If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S 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 esure Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 March 2023.

Phillip Berechree  
**Ombudsman**