

The complaint

Mr C is unhappy with esure Insurance Limited's handling of a claim he made on his motor insurance policy.

What happened

Mr C phoned to make a claim when his car was hit by a third party. He says the claims handler he spoke to said that if the car was written off, he would be paid £3,000 for it. Mr C was unhappy when he then received a cheque for £1,200, so he complained to esure. He says he tried to find a car for this amount, but he couldn't, and he had to pay £4,000 for a replacement. He thinks esure is out of touch with the current market for second hand cars. Mr C says esure later paid him an additional £200 towards the value of his car, and it also paid £350 for his children's car seats and pram. But he still wasn't happy with the valuation.

esure agreed the call handler had said she thought Mr C would get £3,000 for his car. However, it said she went on to say that would be if the engineer thought that was what the car was worth. It acknowledged Mr C's expectations had been incorrectly managed, and it paid him £150 in compensation for the inconvenience.

Mr C brought his complaint to us. He says he would like a fair price for his car. He thinks esure should pay him the £3,000, and he would also like an apology for the error. He also complains that he wasn't told he could claim for the car seats and pram in the initial phone call. Mr C told us he was injured in the accident and he was mis-informed that esure would arrange for an accident solicitor to contact him regarding making a claim for his injuries.

esure said it took an average of four valuation guides, and then deducted £142 for pre-existing damage to reach a final value of £1,400 for the car.

Our investigator thought the complaint should be upheld. After looking at the engineer's report and the breakdown of costs, he thought esure's valuation of £1,400 was fair. He agreed the call handler did say the value would be dependent on the engineer's evaluation, but he thought this was said in a rushed way and wasn't stated clearly. Our investigator said that while we wouldn't expect esure to honour the £3,000 stated, he thought £200 would be more reasonable compensation.

esure didn't accept our investigator's opinion. As an agreement couldn't be reached, the complaint was passed to me to decide and I issued my provisional decision on 22 December 2022 in which I said:

"esure acknowledges that the call handler didn't manage Mr C's expectations when he phoned to log his claim. I understand Mr C would like esure to pay him the £3,000 the handler suggested he would receive for the car. When mistakes happen, we would expect esure to put Mr C back in the position he would have been in if it hadn't happened. So, I don't think esure needs to honour that amount. Rather, it needs to fairly compensate Mr C for the impact its mistake had on him. It should also pay him a fair value for his car.

Valuation

This service's role isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly. Under the terms of Mr C's policy, esure must pay him the market value of the car at the time of the loss.

The market value is defined in the policy as:

"...the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including: Glass's, Parkers and CAP..."

Mr C says he couldn't replace his car for the amount esure paid him. He doesn't think esure has taken into account the changes in the used car market. The valuation of a used car isn't an exact science, and its standard practice for the industry to use valuation guides to work out the estimated market value of a car. And it's not unreasonable that it does so as the valuation the guides give are based on national research on likely selling prices of similar cars with similar age and mileage for sale at the time of loss.

esure provided us with evidence of the valuations it obtained using the guides, these gave the following values:

Parkers £1,930

Glass's £1,535

Cazoo £1,095

CAP £1,608

Cazoo also gives examples of similar cars that have sold and their advertised prices. I can see from the evidence provided it shows cars which were sold both in the retail market and privately, all sold several months prior to the date of loss. All the cars were advertised for significantly less than Mr C's car.

I also looked at current adverts for similar cars, and I found very few available of the same age as Mr C's car. Most of the cars I've seen were newer by two or three years. These cars were priced between £895 and £1,900. I find this is in line with the guide prices, so I'm the valuations produced by the guides fairly reflect market prices for Mr C's car.

esure said it took an average of the figures from the four guides to come to a valuation of £1,542. We often find a fair valuation would fall within the range of figures obtained from the guides. And in most cases I think it's reasonable to exclude any values which are significantly out of line with the others. In this case, I find both Parker's and Cazoo's valuations a significant amount higher or lower than the two figures in the middle of the range, so should be discounted. Leaving the Glass' valuation of £1,535 and CAP's valuation of £1,608. esure's base value is within this range, so I think it's reasonable.

We usually think it's fair for an insurer to make a deduction from a car's value for pre-existing damage. This is because pre-existing damage can impact how much a car will sell for. esure provided a photograph of the damage on Mr C's car, and its engineers estimated that it would cost £402 to repair. It deducted £142 from the total settlement. Considering that Mr C's car is around 17 years old, I think the minor damage esure highlighted is unlikely to have a material impact on the car's value. So, I don't think it's fair for it to make a deduction for this. Therefore, I think esure should pay Mr C the £142 it deducted and pay him a total of £1,542 (its base valuation) for his car.

Claims handling

esure said Mr C didn't have personal legal protection. His policy documentation also shows the policy didn't include the personal injury benefit, therefore I don't think esure had to contact the accident solicitors on Mr C's behalf. However, having listened to the initial phone call, I can understand why Mr C thought it would. During the phone call the call handler says she would ask the solicitors to contact Mr C regarding an injury claim, but I don't think she did. However, esure told us it put the request through to the solicitors a few days later. I find this was resolved in reasonable time, but I think it will have added to Mr C's frustration.

Mr C also says he wasn't told he could claim for the car seats and pram until he complained about the valuation of his car. I find in the initial phone call he was told he was covered for up to £100 for each car seat, the pram would be covered under his personal belongings cover and esure would pay up to £150 towards it. However, he didn't receive the payment for these items until later, when he was paid the additional £200 for his car, so I think Mr C should be compensated for this.

Mr C told us this was his first time making a claim, so, I think the call handler needed to make the process clear to him. I accept it was later mentioned that Mr C would receive £3,000 if the engineer thought that was what the car was worth. I find his expectations had already been set, so I don't think it was enough for the handler to say this, without making it clear that this was different to what she had said previously.

Mr C states he was under financial stress and the errors caused him to struggle with his mental health. I think in the circumstances Mr C was unlikely to have been satisfied with the valuation even if he hadn't been told he would receive £3,000 for his car. However, had his expectations been properly managed, Mr C may have been better prepared for what he then received. Considering the amount he eventually received was significantly less than £3,000, I can understand why this will have been very upsetting for him.

esure already paid £150 in compensation, but in light of everything I've said above, I think it should increase its compensation to £200 for the inconvenience and upset it caused Mr C."

Mr C accepted my provisional decision but esure didn't respond by the deadline given.

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.

As neither party provided additional comments for me to consider, I see no reason to depart from what I said in my provisional decision.

My final decision

For the reasons set out above, I uphold this complaint and require esure Insurance Limited to:

- increase its valuation to £1,542 and pay Mr C the difference between this figure and what it's already paid him. It should also pay 8% simple interest per annum on the difference from the date it initially paid the settlement until it pays the additional sum.
- It should also pay a total of £200 in compensation. It's already paid Mr C £150, so it should pay him an additional £50.
- If esure Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from the interest, it should tell Mr C how much it's taken off. It

should also give Mr C a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

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

Oluwatobi Balogun
Ombudsman