

The complaint

Mrs H complains that esure Insurance Limited made an unfair offer to settle a claim she made on her car insurance policy.

What happened

Mrs H insured her car with esure. She made a claim for damage to her car after she was involved in an accident. esure declared it a write off and offered £8610 in settlement of the claim, saying that was the market value of the car at the time of loss.

Mrs H complained to esure. She said her car was worth more and felt esure hadn't considered factors such as the high second-hand car prices and the variation of prices across the country. She didn't feel the settlement figure offered was sufficient for her to purchase a like for like replacement.

esure felt it had fairly valued the car so didn't uphold her complaint. Mrs H then referred her complaint to our service. Our investigator didn't think esure's offer was fair and recommended it to increase the offer by £482.66 plus 8% simple interest.

Mrs H accepted the view but esure didn't agree. It said it had followed our service's general approach and felt the offer it made was fair. esure felt it was unreasonable to use a motor trade guide the service only started using after it made the initial offer. It also felt the investigator shouldn't have discounted one of the motor trade values it had provided.

Our investigator considered the information again and agreed to include the motor trade value esure wanted. But he still felt the offer was unfair because esure should have discounted the outlying valuation figure on one of the motor trade guides it had used. He said esure should therefore increase its offer by £399.50.

Mrs H and esure didn't agree, so the complaint has been passed to me to make a final decision.

I issued a provisional decision in January 2022 explaining that I was intending to uphold Mrs H's complaint. Here's what I said:

What I've provisionally 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.

The terms and conditions of Mrs H's policy say "We won't pay more than the market value of your car at the time of loss, less the total excess payable."

The market value is defined as "The market value is 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. This may not be the price you

paid when you purchased the car.”

When calculating the market value, esure’s provided evidence that it looked at four different motor trade guides which gave values of:

- *Cazoo - £7,547*
- *Glass’s - £9,030*
- *CAP’s - £9,103*
- *Parkers - £8,760*

These guides use data from various sources to give what they consider to be the likely selling price for cars of a similar specification, age, mileage and condition at the time of loss. The average of these guides was £8,610. esure didn’t consider any of the values to be outliers as being either too high or too low, so used the average figure for the settlement it offered.

Our general approach to complaints about insurers’ valuations of cars is that if the offer falls within the range of values obtained from the various trade guides (once any outliers have been excluded), then we’d normally say it was fair. We think the trade guides are generally more persuasive in indicating the likely selling price of a car rather than adverts for similar cars, as the adverts give an advertised price, rather than a selling price.

I’m satisfied the valuations obtained by esure were based on the correct details for Mrs H’s car but I think one of them should have been excluded when considering what is a fair offer. I say this because the Cazoo valuation was £7,547 whereas the other valuations ranged between £8,760 and £9,103, so as it was significantly less than the other values I would have expected esure to have discounted this as an outlier.

I’ve looked at the remaining information and in addition to the Glass’s, CAP and Parkers valuations, we’ve also obtained a valuation from the AutoTrader valuation tool, which gave the value for Mrs H’s car as £9,145.

I appreciate esure say it’s unreasonable for this service to use a motor trade tool that wasn’t part of our approach at the time it made the initial offer to Mrs H. And I would generally agree with that approach if esure had made a fair offer at the time. But here I’m not satisfied esure did fairly value Mrs H’s car in line with our general approach because it failed to discount the outlier as I would have expected. So as I now have to decide a fair valuation, I think it is reasonable for me to use all the information and evidence available to me now.

So having considered esure’s offer in line with the four values mentioned above (discounting Cazoo and including AutoTrader), I not persuaded esure’s current settlement figure is fair. So it follows I think esure needs to do more to put things right for Mrs H. I think a fair settlement would be the average of these values which is £9,009.50. So to put things right esure should make an additional payment to Mrs H of £399.50 plus 8% simple interest from the date of settlement to the date the payment was made.

I’ve noted Mrs H has said that adverts for similar cars have significantly higher prices than the settlement made by esure. As mentioned, 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

Mrs H.

The responses to my provisional decision

Both Mrs H and esure responded to my provisional decision. Mrs H had nothing further to add and accepted the findings of my provisional decision.

esure remained of the opinion that it was unreasonable to use the AutoTrader valuation.

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 considered everything again, I will be upholding this complaint.

I've already mentioned in my provisional decision, if esure had made a fair offer by discounting the outlier in regard to the Cazoo valuation when it made the initial offer, I wouldn't have thought it would be fair to ask it to do anything further now.

But as I've outlined, I'm not persuaded esure made a fair settlement offer at the time, because it included this outlier which was over £1,200 lower than the other valuations it used. Our general approach to complaints about insurers' valuations of cars is that if the offer falls within the range of values obtained from the various trade guides, then we'd normally say it was fair, but this would only be once any outliers have been excluded, which isn't the case here.

So I need to decide what I consider a fair settlement offer should be *now* taking into account all the evidence and information available to me now. The valuation provided by the Autotrader tool is similar to the other valuations that are not considered outliers, so I don't think it should be considered an outlier either. I've explained in my provisional decision why, in the circumstances of this case, I think it's fair to use the AutoTrader motor valuation tool. And I've not been provided any further information that changes my thoughts on this.

Given all of this, I remain of the view that this complaint should be upheld for the reasons outlined above.

Putting things right

Based on everything I've seen; I think esure Insurance Limited should do the below to put things right for Mrs H.

- Increase the settlement paid on the claim by £399.50, to £9009.50.
- Pay simple interest at a rate of 8% on the additional amount from the date of its original settlement offer to the date of final settlement. *

*If esure Insurance Limited considers it is required by HM Revenue & Customs to take off income tax from the above interest, it should tell Mrs H how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HMRC if appropriate.

My final decision

For the reasons set out above, I uphold Mrs H's complaint. esure Insurance Limited should

put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 3 March 2023.

Jag Dhuphar
Ombudsman