

The complaint

Mr O complains that esure Insurance Limited (esure) have undervalued his car following a claim on his car insurance policy.

What happened

Mr O insured his car with esure in September 2022. Following the theft of his car, esure accepted his claim and made a settlement offer to him. He was initially offered £80,257 as market value for his car and this was later increased to £82,465. Unhappy with this valuation, he raised a complaint. His key complaint points are:

- that esure failed to consider the specifications of his high value car which were rare to find and costly to replace (where this was possible),
- that the valuation esure provided was based on cars which were not of a similar specification and so were unreliable,
- that the baseline cost of the car bought new without the options was around £120,000 whereas the cost with the extras was around £150,000 so they could not fairly value the cars at the same level,
- it was rare to find this car with the number and combinations of options it had so it would obtain a considerably higher price,
- they had significantly undervalued his car which he believes should be around £90,000 to £95,000.

Mr O provided detailed information about the specifications of his car and said the cost of these rare optional extras was in excess of £30,000.

After consideration esure decided to maintain their offer. They issued a final response letter in October 2022, explaining how the valuation was reached using the average of four commonly used valuation guides. They say the valuation fairly reflected the market value of the car which isn't necessarily the price that he paid for the car.

As they didn't uphold his complaint, Mr O brought his complaint to this service. Our investigator considered esure's valuation but didn't think it had fairly taken into account the high specifications of the car. She obtained a bespoke valuation from one of the valuation guides to include the additional optional features, and they increased the valuation to £88,605. She upheld Mr O's complaint and asked esure to increase their valuation accordingly.

esure agreed with the investigator's outcome but Mr O said the valuation still didn't fully consider the extra specifications which he felt resulted in the valuation being "slightly low". He gives an example of a car with £3,000 worth of options listed for £88,900 in October 2022. As he didn't agree with the outcome, this has come to me for a decision.

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 will be upholding this complaint and I'll explain why.

As a service, we don't value cars, but check that the insurer's valuation is fair and reasonable and that it is in line with the terms and conditions of the insurance policy. The terms and conditions of Mr O's policy defines market value as the amount he could reasonably expect to sell his car for on the open market immediately before the loss. They base the value on cars of the same make, model, age, condition and mileage at the time of loss. This may not be the price that Mr O paid when he purchased the car, and the terms clearly state this.

To establish whether the valuation is fair and reasonable, we use valuation guides that are widely recognised to be persuasive as their valuations are based on nationwide research to show likely selling prices. They are updated regularly to consider new models and the used car market.

I considered the valuations esure provided which formed the basis of their valuation – which provided a range of between £79,100 and £86,230. However, like the investigator, I wasn't satisfied the valuations did include all the optional extras that were on Mr O's car. So, I've further considered the bespoke valuation the investigator obtained.

The bespoke valuation from CAPs gave an increased valuation at £88,605. I note Mr O's concerns regarding this and have reviewed the information he's provided. I have considered in detail the list he provided this service and what has been used to obtain the bespoke valuation to ensure all the optional factory fitted extras and relevant details had been included. Having looked at this, I am satisfied that the optional extras were included in the instructions for the bespoke valuation and that the valuation was based on market value in August 2022 with accurate mileage.

I appreciate Mr O feels the value is still too low and should be in the region of £90,000 to £95,000, and he provided an Autotrader advert from January 2023 which shows a car of similar specifications to his own, listed at £88,900. The advert does not appear to have many of the optional extras that his car had, and this adds to his view that the optional extras would increase the value of his car.

Whilst I can take into consideration adverts for similar cars on sale, I must also take into account factors such as higher/lower than average mileage of the car and the date of valuation prior to the incident, which have a significant impact on the value of it. Mr O's car has 38,263 mileage, whereas the average for a car at that time was around 24,000. In addition to this, retail list prices are generally considered to be higher than the price we expect a sale to be agreed at allowing some room for negotiations.

I'm also not persuaded that all options added to the car increase its value for re-sale purposes or that the amount paid for these means there will be a comparable increase in the market value. However, as I've mentioned above, I am satisfied that all relevant information and optional extras have been included to establish the updated valuation. It follows that I am satisfied the increased valuation to £88,605 is reasonable and fair market value for the car.

Putting things right

To put things right, esure should pay Mr O any outstanding amounts up to the increased valuation of £88,605, subject to the remaining policy terms and conditions.

esure also needs to add 8% simple interest to what they pay, calculated from the date of claim until the date of settlement.

If esure considers they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr O how much they've taken off. They 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. esure Insurance Limited should pay Mr O as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 14 August 2023.

Naima Abdul-Rasool
Ombudsman