DRN-4046779

Financial Ombudsman Service

The complaint

Mr J complains about the settlement payment esure Insurance Limited (esure) offered following the total loss of his car, under his motor insurance policy.

What happened

Mr J's car was stolen, so he contacted esure to make a claim. The car was recovered but it was badly damaged. esure determined that the car was a total loss and so offered Mr J what it considered the market value to be. Mr J didn't think this was enough. esure then increased its offer to £8,263 less his policy excess. This included a deduction for pre-existing damage amounting to £140.

Mr J says he has obtained a valuation from one of the industry trade guides. This gave a valuation of £9,020. Mr J says esure should pay him the difference between its offer and the valuation he obtained. esure didn't agree. It thought it had acted fairly and paid the average valuation from the trade guides it had looked at, which included the guide Mr J had used. As esure didn't change its mind, Mr J referred his complaint to our service.

Our investigator looked into the complaint. He thought esure had acted fairly when assessing the market value of Mr J's car, and so he didn't uphold his complaint.

Mr J didn't think this was fair. He also queried how esure had determined there was pre-existing damage given the extensive damage caused by the thieves. He asked that an ombudsman should consider his complaint.

It has been passed to me to decide.

I issued a provisional decision in February 2023 explaining that I was intending to partially uphold Mr J's complaint. Here's what I said:

provisional findings

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 minded to uphold this complaint in part. Let me explain.

I can understand that Mr J wants the best settlement he can achieve for the loss of his car. I've read his policy terms to understand what is expected in the event of the total loss. The terms say when settling a claim esure won't pay more than the market value of the car at the time of the loss, less the total excess payable. It defines market value 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."

Our investigator has explained the approach our service applies to car valuations. We don't provide valuations for cars, but we will look to see whether the insurer has treated their customer fairly and that its offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from the 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 consider regional variations. We take all other available evidence into account as well, for example, engineer's reports.

Mr J has provided a copy of the trade guide valuation he obtained showing a value of £9,020. I can see that he used the correct model and year for his car. Although the mileage is slightly less at 98,000 miles than the 102,823 showing on the car's odometer after it was recovered.

I've looked to see how our investigator came to his conclusion that esure's valuation offer was fair. I can see that he looked at the motor trade guide valuations esure provided. These valuations were for the correct make, model, age, features, mileage, and condition as Mr J's car at the date of its loss. I can see that the retail transacted valuation, not the trade price, was used, which is what I'd expect.

One valuation esure obtained used a loss date in March 2022. This should have been January when the loss occurred. I obtained a further valuation, using the correct loss date, from the same trade guide to see if there was a significant difference. There wasn't. The difference was around £50.

The valuations esure obtained gave a range between £8,023 and £8,680. I think esure's offer of £8,263 reasonably falls within this range. Valuing second-hand cars isn't an exact science so I would expect there to be a range of values when referring to the trade guides.

If I include the higher valuation Mr J obtained, instead of esure's lower valuation from the same trade guide, the average valuation still falls within the range stated by esure. So, I don't think the settlement offer it made was unfair based on this information.

I asked esure to demonstrate that there was pre-existing damage to Mr J's car. It provided photos of the wheels showing damage to the rims. I note its comments that its engineer assessed the cost of these repairs at £280. And that it applied a preferential rate when deducting £140 from its valuation. I didn't think this demonstrated the damage was pre-existing, so I asked for further information to support this.

esure provided copies of the photos it had already sent showing damage to the wheels. It also asked its engineer to comment further. But I don't think his comments demonstrate that the damage was present prior to the car being stolen. As Mr J reasonably points out, his car sustained significant damage when being driven by the thieves. I think the wheel damage could reasonably have occurred at this time.

Having considered all this, I don't think the offer esure made Mr J was unfair as it does reasonably fall within the range of values obtained for his car at the time of the loss. But I don't think it's shown that the damage to the wheels was pre-existing. Because of this I don't think it can reasonably deduct this amount from its settlement offer.

I said I was intending to uphold this complaint in part and esure should:

- ensure Mr J receives a settlement payment that doesn't include a deduction for pre-existing damage to his car's wheels.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr J responded to say he accepted my provisional decision.

esure didn't respond with any comments or further information for me to consider.

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 has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint in part. esure Insurance Limited should:

- ensure Mr J receives a settlement payment that doesn't include a deduction for pre-existing damage to his car's wheels.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 May 2023.

Mike Waldron
Ombudsman