

The complaint

Miss R complains about the settlement that Haven Insurance Company Limited offered her for the total loss of her car following a claim made on her motor insurance policy. Miss R is represented in this matter by Mr B, a named driver on her policy.

What happened

Miss R's car was damaged in an accident whilst Mr B was driving, and she made a claim on her policy. Haven offered her £5,849, less the policy excess and outstanding premium and a deduction of £480 for the car's lack of a service history, in settlement of her claim. Miss R was unhappy with this. Mr B thought he couldn't replace the car for this amount. He thought the car was top specification, that Haven hadn't taken into account the car's model, and he thought it was worth close to £12,000.

Our Investigator recommended that the complaint should be upheld. He thought Haven's assessment of the car's market value was too low. He thought it was unfair for it to make a deduction for the service history as this wasn't important due to the car's age. So he thought Haven should increase its market value to £5,847.50, less deductions for the policy excess and outstanding premium, and pay interest on the difference between this and its initial payment.

Haven agreed to do this. But Mr B replied that he didn't think the settlement was enough. He thought the valuation had been based on a lower engine size, he'd seen similar cars advertised for higher prices, and he'd spent money making sure the car was in top notch condition.

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 Miss R wants a fair settlement for the loss of her car. Mr B said he'd seen similar cars advertised for about £12,000 and so he was disappointed with Haven's offer. I can see the car was stated as worth £7,500 on the insurance schedule. But Miss R's policy isn't an agreed value policy. The policy provides for the car's market value in the case of its total loss. I can see that on page 10 of the policy booklet Haven explains that:

"If We consider Your Car is Beyond Economic Repair as a result of an accident or incident covered by this insurance, subject to clause 11 below We will provide the owner of Your Car with settlement of its Market Value up to the Limit of Coverage after deducting the Excess."

And so Haven isn't obliged to provide Miss R with a settlement based on the car's stated value, but on its market value. The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to see 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. We also take all other available evidence into account, for example, engineer's reports.

Our Investigator thought Haven's settlement offer was too low. So I've checked how he came to this conclusion. I can see that he looked in the motor trade guides we use for cars of the same make, model, age, mileage, condition and optional extras as Miss R's car at the date of its loss.

Mr B was concerned that Haven and the Investigator hadn't taken into account the car's specification. But I can assure him that I've checked this, and the valuations were based on the correct engine size, the car's good condition, and no deductions were made for pre-existing damage.

Mr B said he'd spent significant sums maintaining the car, including new tyres. But we consider this to be maintenance, and this would maintain the car's value, not increase it. The car was 15 years old, and so the Investigator thought the lack of a service history wouldn't lessen its value. And I'm satisfied that this is fair and reasonable as it's in keeping with our approach. I note that Haven has also accepted this point.

Mr B said he'd seen similar cars advertised at 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.

The Investigator found valuations for the car in three of the motor trade guides we use. In keeping with our approach he discarded one as an outlier, which I'm satisfied was correct as this was significantly out of keeping with the other two valuations.

He then took an average of the two remaining valuations. The average of these was £5,847.50. And I agree that Haven's offer with the £480 deduction was too low as it wasn't fair and reasonable. And I think it should increase this to £587.50. And, as Miss R has been without her money for some time, I think it should reasonably add interest to the difference between the initial and final payments.

Putting things right

I require Haven Insurance Company Limited to increase the market value of Miss R's car to £5,847.50 and pay Miss R the difference between this and its initial market value. It should add interest to this amount at the rate of 8% simple per annum from the date of its initial payment until the date of settlement.

If Haven considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss R how much it's taken off. It should also give Miss R a tax deduction certificate if she asks for one, so she 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 Haven Insurance Company Limited to carry out the redress set out above, as it's already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 27 July 2023.

Phillip Berechree
Ombudsman