

The complaint

Mr J complains esure Insurance Limited (esure) did not offer a fair market value for his car when it was written off in an accident.

What happened

Following an incident with his car Mr J made a claim on his motor insurance policy that he had with esure.

The car was written off as a total loss. esure offered Mr J £3,334 in settlement.

Mr J complained to esure and said he was looking for £5,000 as he had only had it for two months and had paid £5,500 for it. esure reviewed its offer but did not increase it.

As Mr J was not happy with esure, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said after checking another trade guide esure had been unfair to have discounted the valuation from one trade guide as an anomaly. And after considering the purchase price of Mr J's car they were persuaded that the higher guides obtained were more likely to be accurate. They said esure should settle Mr J's claim by using the average of the top two guide prices they had obtained. This being £4,581. They said esure should also add 8% simple interest on the difference to date of settlement.

As esure is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

What I provisionally decided and why

In this case I have considered whether esure acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr J following the write-off of his car. My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I looked at the details within Mr J's motor insurance policy with esure. Included in the schedule of insurance it states the car value as "Market value". And within the the policy terms and conditions 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 Mr J contacted esure to contest the settlement valuation he said he had only had the car for two months and it cost £5,500. The evidence supplied shows Mr J actually paid

£4,995 for the car. But what he paid for the car isn't necessarily the market value at the time he bought it or what he is entitled to be paid out after it was written off as a total loss. Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use trade guides to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor trade guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices

I looked at the information esure used when calculating the settlement value and found it obtained four bespoke valuations from four trade guides. These valuations ranged from £3,143 to £4,494. esure said it discounted the higher valuation as it was an anomaly and therefore it was reasonable to ignore it. It offered Mr J £3,334 as an average of two valuations.

In situations like this where there is an anomaly identified our service would generally consider the other guide values closest together to give a good indication of the likely market value. And we'd normally agree the insurer's valuation is fair if it is in the range of the other guides. But we wouldn't automatically discount an anomaly valuation.

Our service usually uses the same four motor trade guides to obtain our valuations. In this case three of these are the same trade guides as esure used and one was different. The valuation we obtained from the different trade guide was £4,668. Therefore I don't think the top valuation obtained by esure should have been discounted as an anomaly.

I do accept that prices of used cars can change on a regular basis. This could be an increase or decrease. However the guides used are updated on a regular basis.

I am not persuaded that considering the fairly recent purchase price of the car means I should discount the lower valuations obtained at the date of loss.

I don't think it is fair to discount the high valuation as esure has done in its settlement offer, nor do I think it is fair to discount the lower valuations in favour of just the two high valuations.

I think the average of the four trade guide valuations that our service usually uses is the fair valuation in this case. This amount is £3,961.

My intended final decision

For the reasons I have given I intend to uphold this complaint.

I intend to require esure Insurance Limited to settle Mr J's claim at £3,961, which is the average of the four trade guide valuations used by our service. I intend to require esure Insurance Limited to pay £627 to Mr J. This is the difference between the amount already paid £3,334 and the valuation of £3,961. Plus 8% simple interest on the difference to date of settlement.

Responses to my provisional decision

Mr J responded to say he didn't have anymore information to provide and was happy with the outcome.

esure responded to say it would agree to the decision provided it was supplied with a copy of the different trade valuation that was used by our service. To enable it to validate the correct vehicle details etc. had been used.

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.

A copy of the valuation was sent to esure.

As Mr J accepted my provisional decision, and as we have provided esure with the valuation it requested, I maintain my provisional decision. I think the average of the four trade guide valuations that our service used is the fair valuation in this case.

I therefore uphold Mr J's complaint and require esure to settle his claim at £3,961, which is the average of the four trade guide valuations used by our service. I require esure to pay £627 to Mr J. This is the difference between the amount already paid £3,334 and the valuation of £3,961. Plus 8% simple interest on the difference to the date of settlement.

My final decision

For the reasons I have given I uphold this complaint.

I require esure Insurance Limited to settle Mr J's claim at £3,961. I require esure Insurance Limited to pay £627 to Mr J. This is the difference between the amount already paid £3,334 and the valuation of £3,961. Plus 8% simple interest on the difference to the date of settlement.

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.

Sally-Ann Harding
Ombudsman