

## The complaint

Mrs W is complaining about the amount Advantage Insurance Company Limited has paid to settle a claim on her car insurance policy.

Mrs W has been largely represented by her husband in this complaint. But for ease of reference I shall refer to anything he's said as being said by Mrs W.

## What happened

Mrs W's car was damaged in an accident so she contacted Advantage to make a claim through her car insurance policy. Advantage declared the car a total loss so it said it would settle the claim by paying her the car's market value, less her excess of £395. It initially valued the car at £1,853. Mrs W didn't think that was a fair valuation, so Advantage reviewed this again and increased the value to £2,435. Mrs W still didn't think this was fair and highlighted that the popularity of her model of car made it more valuable.

Advantage still thought its valuation of the car was fair and highlighted that the car's MOT had expired and that it also had some pre-existing damage.

Our investigator upheld this complaint. She said Advantage had assessed the case by reviewing market value guides, but she said it had only used two guides. However she said this Service has access to four guides and she thought Mrs W had lost out because Advantage hadn't used all the guides available. She thought Advantage should increase its valuation to £3,374. She also thought it should pay Mrs W £100 in compensation for the distress and inconvenience this matter has caused.

Advantage partially agreed with the investigator's opinion. It agreed that it should have used the four valuation guides, but it didn't think the investigator had applied them fairly. It also said the investigator hadn't taken into consideration the pre-accident condition of the car. And it thought a valuation of £2,891.48 was fairer. As Advantage didn't agree with the investigator, the complaint's been passed to me to decide.

I initially wrote to both parties setting out that I intended to come to a slightly different conclusion and I said Advantage assessed the value of Mrs W's car by using two valuation guides which produced valuation figures of £2,810 ('figure one') and £3,044 ('figure two') respectively. However, this Service has also obtained valuations which produced valuation figures of £3,442 ('figure three') and Autotrader £3,555 ('figure four'). I thought about whether all guides should be used or any discounted as being out of line. Figures three and four produce valuations within around £110 of each other, whereas the other two were £400 below the upper and are also £200 different from each other. Further to this, I thought the adverts Advantage has provided of similar cars at the time support that a fair valuation of the car was between the upper valuations. So I thought figures one and two should be discarded and a fair base valuation is around £3,500.

However, I also acknowledged that Mrs W's car didn't have a valid MOT. Advantage deducted 10% from the car's market value and I thought that was fair – leaving a fair market value of £3,150. Finally, I also considered that Advantage had deducted around £200 for

pre-accident damage. However, I said I haven't seen anything to show what this related to. But I said it also needed to be remembered that this was a 12 year old car that had travelled around 84,500 miles at the time of the accident. So I thought it was reasonable to expect a fair amount of wear and tear and some damage. In absence of anything to show that the damage in question was not commensurate with the age and mileage of the car, I said I intended to say that it wasn't fair to deduct anything for pre-accident damage.

I also said I intended to award Mrs W £100 in compensation for the distress and inconvenience this matter has caused her.

Advantage didn't agree with me for the following reasons:

- It didn't agree that figures one and two should be disregarded. It understood that it is to disregard inconsistent guides which fall outside 10% of the average. It agreed that the figure one was out of line, but it said figure two was within 10% of the average so it didn't agree this should be discounted.
- It didn't agree that adverts should be taken into account in assessing the value and thought to taken adverts into consideration would be contrary to this Service's usual approach.
- It said £200 was deducted to take into consideration multiple areas of damage including corrosion.

Mrs W didn't think £100 was fair compensation when considering the amount of time and stress it's cost her to put things right.

### **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've considered what all parties have said in response to my initial thoughts, but I've come to the same conclusion. I'll now explain why.

This service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy correctly and valued the car fairly. It's standard practice for the industry to use valuation guides to work out the estimated market value of a car. And it's not unreasonable that it does so. The valuation the guides give are based on the advertised prices of similar cars with similar age and mileage for sale at the time of loss.

Advantage doesn't believe it's fair that I discarded two of the valuation guides and also doesn't think that I should have used adverts to justify this. I understand its point of view in this respect, but I still think my thought process is the fairest way to assess a fair valuation of Mrs W's car.

As I said above, it's standard practice to primarily use valuation guides to assess a car's market value. But, where the guides provide a large range in value, it needs to be considered whether any of the guides are providing figures out of line with the others which would suggest they're not a fair reflection of the potential value of the car.

Essentially I think we have two sets of values in this case. Figures one and two give similar figures to each other and figures three and four give similar figures. But there is a difference of over £400 between the two respective sets of figures. I don't think it's unreasonable, in these specific circumstances, to consider relevant adverts from that time to assess which of the two sets of figures are a more accurate reflection of the car's value at that time. And, as I

said, the adverts support that figures three and four appear to give a fairer reflection of Mrs W's car's market value. So I still think a base valuation of £3,500 is fair.

Neither party made any comments regarding the 10% deduction for the car not having an MOT. So I'm not going to comment any further on this. However, Advantage has set out why it's deducted £200 for pre-accident damage and I've thought about this. But, as I set out previously, this was a 12 year old car that had travelled around 84,500 miles at the time of the accident. I'm not persuaded that the damage Advantage has referred to is out of line with what one would reasonably expect to see on a car of this age and mileage. So I don't think it was fair to deduct £200 from the car's market value for this.

Finally, I've considered that Mrs W doesn't think £100 is fair compensation for the distress and inconvenience this matter has caused. I think it's inevitable that a consumer will suffer some distress and inconvenience from making a complaint, but a business doesn't always have to pay compensation for that – sometimes a simple apology will suffice. However, I do recognise that Mrs W has suffered a degree of distress and inconvenience in excess of what she should have done. But I still think £100 is fair compensation for what's happened.

### **My final decision**

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require Advantage Insurance Company Limited to do the following to put things right:

1. Pay Mrs W a further £715 plus 8% simple interest from the date of initial settlement until this is paid to her. If Advantage thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax if appropriate.
2. Pay £100 in compensation for the distress and inconvenience this matter has caused her.

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

Guy Mitchell

**Ombudsman**