

The complaint

Mr J complains about the settlement that Advantage Insurance Company Limited offered when he made a claim on his motor insurance policy following the theft of his car.

What happened

Mr J's car was stolen, and he made a claim on his policy. Advantage offered him £23,890, less the policy excess, in settlement of his claim. But Mr J was unhappy with this. He thought Advantage hadn't taken into account the rarity of the car and that it had seven seats. He thought it was worth closer to £30,000.

Our Investigator recommended that the complaint should be upheld. He saw that similar cars were sold for close to their advertised prices. He thought two of the motor trade guides we use undervalued the car. He thought a fairer valuation would be an average of the two highest valuations provided by the motor trade guides. He thought Advantage should increase its settlement by £3,449, with interest.

Advantage replied that the highest valuation was out of step with the others. It offered an average of the three lower valuations, £24,643. Mr J didn't accept this. He said Advantage should increase its settlement by £5,000 and it should take into account the car's seven seats. Mr J asked for an Ombudsman's review, so the complaint has come to me for a final 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.

I can understand that Mr J wants a fair settlement for the loss of his car. He said that he'd seen similar cars advertised for about £30,000 and so he was disappointed with Advantage's offer.

I can see that Mr J's policy provides for the car's market value in the case of its total loss. The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to 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 Advantage's settlement offer was too low to be fair and reasonable. 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 Mr J's car at the date of its loss. And he found four of the guides provided valuations.

Mr J had provided adverts for similar cars advertised at higher prices. But we usually 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.

But Mr J also said that similar cars were advertised and sold at significantly higher prices than Advantage's settlement. I can see that similar cars were sold at close to their asking prices. So I think it would be fair and reasonable to consider advertised prices on this occasion as a benchmark to validate the guides' valuations.

Advantage's revised offer was based on an average including a valuation from a third guide. But this was based on private sale figures rather than retail transacted prices. So I don't think it would be fair to consider this.

In keeping with our approach, I'd normally expect the Investigator to take an average of the four valuations he found. But we discount any valuations that are out of step with the others.

Mr J has pointed out that his car had seven seats, not five, and he thought this should be taken into account. The Investigator saw that two guides didn't provide an increase in value for the car having seven seats, unlike the other two guides and advertisements. And they were significantly lower than the other two valuations and advertised prices.

So I think a fair valuation would be to discount these two lower valuations and take an average of the two higher ones.

The average of the two higher valuations the Investigator found was £27,339. I'm satisfied this took into account the specific extra Mr J thought Advantage had ignored and the current market for similar cars. Advantage had offered Mr J £23,890. And so I don't agree that Advantage's offer was reasonable. And I require it to increase this to £27,339, adding interest on the difference as Mr J has been without his money for some time.

Putting things right

I require Advantage Insurance Company Limited to pay Mr J £3,449 further in settlement of his claim, adding interest to this amount at the rate of 8% simple per annum from the date of the initial settlement to the date of payment.

If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr J how much it's taken off. It should also give Mr J 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. I require Advantage Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 8 September 2023.

Phillip Berechree
Ombudsman