

The complaint

Mr A complains about the settlement that esure Insurance Limited offered him for the total loss of his car following a claim made on his motor insurance policy.

What happened

Mr A's car was damaged in an accident, and he made a claim on his policy. esure offered him £44,099, less the policy excess, in settlement of his claim. But Mr A was unhappy with this. He thought he couldn't replace his car for this amount. He thought esure had undervalued the car by about £9,000.

Our Investigator recommended that the complaint should be upheld. He looked for the car's market value in the motor trade guides we use. And he thought esure's valuation wasn't fair as it was too low. He thought a fairer valuation would be £46,228. And he thought esure should increase the settlement to this amount and pay interest on the difference.

esure replied that it thought its settlement was fair and reasonable as it had been made based on three motor trade guides in keeping with our approach. esure 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 A wants a fair settlement for the loss of his car. He said he'd seen similar cars advertised for about £53,000 and so he was disappointed with esure's offer. I can see that his policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet:

"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..."

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 esure's settlement offer wasn't reasonable. So I've checked how he came to this conclusion. I can see that he looked in the four motor trade guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr A's car at the date of its loss.

In keeping with our approach he discounted two outlying valuations as they weren't in keeping with the average of the range. He then took an average of the two remaining valuations. The average of the valuations he found was £46,228.

esure had paid Mr A less than this and its settlement was at the lower end of the range of the valuations the Investigator found. And I agree that esure's offer wasn't fair and reasonable as the advertised prices for similar cars would indicate that a fairer settlement would be at the higher end of the range. And so I require esure to increase its settlement, adding interest on the difference as Mr A has been without his money for some time.

Mr A had provided adverts for 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.

Putting things right

I require esure Insurance Limited to increase its settlement for the loss of Mr A's car by £2,129, adding interest to this amount at the rate of 8% simple per annum from the date of its initial payment to the date of settlement.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 4 September 2023.

Phillip Berechree
Ombudsman