

The complaint

Mr K complains about esure Insurance Limited (EIL) and the pre-accident valuation (PAV) they placed on his car after it was deemed a total loss following a road traffic accident.

What happened

Mr K held a motor insurance policy, underwritten by EIL. Unfortunately, in January 2023, Mr K was involved in a road traffic accident. So, he contacted EIL to make a claim.

As a result of the damage to Mr K's car, it was deemed a total loss. So, EIL calculated a PAV for Mr K's car of £12,339.00, after considering motor trade guides. But Mr K was unhappy with this valuation, so he raised a complaint.

Mr K didn't think the valuation calculated by EIL was a fair one. He didn't think it took into account his car's optional extra's which he felt substantially increased its value. And because of this, he didn't think the PAV put forward by EIL allowed him to purchase a car of a similar make and specification and so, he wanted EIL to increase this settlement amount.

EIL responded to the complaint and didn't uphold it. They explained how they reached the PAV put to Mr K. And they explained why they felt this offer was a fair one. So, they didn't think they needed to do anything more. Mr K remained unhappy with this response, so he referred his complaint to us. But he also cashed the settlement offer on the table, as he was without a car or funds to replace it at the time.

Our investigator looked into the complaint and upheld it. They explained they had obtained a bespoke valuation from one of the motor trade guides, CAP, which valued Mr K's car at a higher amount than the CAP valuation EIL used. Our investigator felt the bespoke valuation took into consideration all of Mr K's car optional extras and so, they used this valuation in place of the CAP valuation EIL had used originally. And our investigator also considered the Cazoo valuation, which EIL had discounted as an anomaly. Having calculated the valuation this way, our investigator came to an average valuation of £13,185.40, higher than the settlement offer EIL had put to Mr K. So, our investigator thought EIL should value Mr K's car at this amount and pay this amount to him, minus any applicable excess.

Mr K accepted this recommendation. But EIL didn't. They thought they'd attempted to consider Mr K's optional extras in their CAP valuation. And they didn't think it was fair to expect them to obtain bespoke valuations for all of the claims they process. So, they maintained their belief their original valuation was a fair one and didn't think they needed to do anything more.

Our investigator considered EIL's comments, but their opinion remained unchanged. And they returned to EIL to explain that, as they felt Mr K should've been offered a higher amount, that they also thought EIL should pay 8% interest on the difference between their valuation, and the valuation our investigator had calculated, from the date of offer to the date of payment.

Mr K again accepted this recommendation. But EIL didn't for the same reasons as previously

stated. As EIL didn't agree, the complaint has been passed to me for a 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.

Having done so, I'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

Before I explain why I've reached this decision, I think it would be useful for me to set out clearly our service's approach to complaints about the valuation of a car. This service's approach is that we don't provide valuations for cars but instead look to see whether the insurer's offer is reasonable. And when assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides.

In this situation, I can see EIL followed this same approach, as I'd expect them to do. They obtained valuations from four motor trade guides, which ranged between £12,028.00 to £14,406.00. EIL took the decision to discount the highest valuation, which they felt was an anomaly, and took an average of the three remaining valuations, which calculated to £12,339.00. And this is the offer they put to Mr K.

To consider whether this offer was fair, our service obtained valuations from the same four guides, as well as a fifth guide we also consider. I can see that the valuations from Glass's, Parkers and Cazoo matched the valuations obtained by EIL.

But the valuation provided by CAP on a bespoke basis to our service valued Mr K's car at £13,495.00, compared to the CAP valuation provided to EIL of £12,028.00. And from what I can see, the main reason for this was our service ensuring all of the optional extras included with Mr K's car were included. While I do appreciate in their own valuation from CAP EIL did attempt to include as many of the optional extras as possible, I think it's fair for me to assume that, as this wasn't a bespoke valuation that included all the extra's, the valuation EIL relied upon wasn't a fair one. So, I think it's fair and reasonable for me to consider the bespoke valuation, rather than EIL's initial valuation obtained from CAP, when calculating what I think a fair settlement offer should be.

I appreciate EIL are unlikely to agree with this. And they've raised valid concerns about whether they should be expected to obtain bespoke valuations on every claim they process. But my decision is focused solely on this complaint, and its individual circumstances. So, it isn't impacted by what EIL feels would be an unreasonable precedent to set over all claims. In this situation, I think it's clear a bespoke valuation has provided a more accurate valuation due to the significant increase and so, for this complaint only, I think it's reasonable to use this valuation rather than the original valuation from CAP EIL obtained.

I also note EIL chose to discount the valuation provided by Cazoo, which valued Mr K's car at £14,406.00. I can see this valuation was just under £1,000 more than the next highest valuation I think should be used, at £13,495.00. And it is around £1,200 more than the middle trade guide valuation of £13,037, obtained from Autotrader by our service but not obtained by EIL.

But I can see the lowest trade guide valuation of £12,350.00 is just under £800 less the same middle trade guide valuation. So, when considering both the highest and lowest valuation against the middle trade guide valuation, I don't think it's reasonable on this

occasion to say the valuation obtained from Cazoo is so significantly high that it should be discounted. And because of this, I think this valuation should've been included by EIL when calculating the valuation of Mr K's car.

Because of the above, I don't think the valuation placed on Mr K's car, and ultimately the settlement Mr K received based on this valuation, was fair. And so, I don't think I can say EIL have acted fairly or reasonably when calculating the valuation on this occasion. As I don't think EIL acted fairly, I've then thought about what I think EIL should do to put things right.

Putting things right

When thinking about what I think EIL should do to put things right, any award or direction is intended to place Mr K back in the position he would've been, had EIL acted fairly in the first instance.

Had EIL acted fairly, I think they would've obtained and used the following valuations to calculate Mr K's car valuation:

Cazoo - £14,406
Cap - £13,495
Autotrader - £13,037
Parkers - £12,639
Glass's - £12,350

The average of these five valuations works out to be £13,185.40. Had EIL acted fairly, I think this is the amount that should've been paid to Mr K, less any applicable excess. And so, I think EIL should pay Mr K the difference between their original settlement offer and the valuation of £13,185.40, to ensure he receives a fair and reasonable valuation for his car.

And in line with our service's approach, I think EIL should add 8% simple interest to this amount from the date they finalised and raised their offer to Mr K to the date of payment, to recognise and address the length of time he's been without access to these funds.

I understand EIL is unlikely to agree with this. And they raised concerns about our investigator adding this interest to their award some time after their initial view. But I'm satisfied EIL had an opportunity to comment on this interest and supply any considerations they wished for me to think about regarding this. And having thought about all of the comments provided by both parties, alongside all of the evidence supplied to me, I'm satisfied the payment of this interest is both fair and reasonable.

My final decision

For the reasons outlined above, I uphold Mr K's complaint about esure Insurance Limited and I direct them to take the following action:

- Pay Mr K the difference between £13,185.40 and the settlement they initially provided; and
- Pay 8% simple interest on this amount from the date they initially finalised and raised payment of their initial offer to Mr K to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 6 July 2023.

Josh Haskey
Ombudsman