

## **The complaint**

Mr B complains that esure Insurance Limited hasn't offered a fair settlement for the total loss of his vehicle after a claim was made on his motor insurance policy.

## **What happened**

- Mr B had an accident in his car, so he made a claim under his motor insurance policy. After assessing the damage, esure deemed the car to be a total loss.
- esure valued the car at £63,006.
- esure said that Mr B had misrepresented his mileage when he took out his insurance policy. He'd estimated his annual mileage to be 1001-2000 miles, but at the time of the accident he'd already travelled 5,430 miles. esure said it would've charged a higher premium had it known the correct mileage and Mr B had only paid 96.18% of what the premium would've been. So it said it would settle the claim proportionately, bringing the total settlement to £60,597 (minus any policy excess).
- Mr B says esure's valuation of his car is based on a standard model and doesn't take into consideration the additional extras on the car – some of which are quite rare. He also says that at the time of taking out the policy, he gave an accurate estimate of his mileage based on his circumstances at that time. He raised a complaint which he brought to our Service.
- Our Investigator obtained her own valuations of the car, the average of which came to more than what esure had offered. So she recommended the offer be increased. But she was persuaded that it could settle the claim proportionality based on the discrepancy in the mileage.
- Mr B accepted our Investigator's recommendations, but esure didn't respond. So the complaint has been passed 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.

### *Mileage deduction*

In order to determine whether Mr B had misrepresented his mileage, I asked esure for details of the questions it asked at inception of the policy and the answers it was provided with. The information esure has sent us shows Mr B estimated his mileage at 3000.

esure has now acknowledged that it made an error about the answer Mr B gave regarding his mileage. And has agreed not to make a deduction to the claim.

I think this is fair in the circumstances, and it's what I would've directed esure to do.

### *Market value*

For clarity, it's not my role to work out the exact value of Mr B's car. What I need to decide is whether esure has applied the terms of the policy correctly and valued the vehicle fairly.

Mr B's policy says that esure will pay the market value of the car, less any policy excess, in the event of a total loss. The policy defines the market value 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."*

Assessing the value of a used car isn't an exact science. However, like most insurers, our Service often finds the motor trade guides persuasive. This is because their valuations are based on nationwide research, and they show likely selling prices at the month of loss. The guides also allow for the specifications of most cars to be taken into consideration including any extras. This is particularly helpful, as factors such as the age and mileage of a car can have a big impact on its value. We also think motor trade guides are generally more reliable than car adverts as asking prices in adverts tend to be inflated to allow room for downward negotiation.

I've reviewed the trade guide valuations provided by esure, and I'm inclined to agree with Mr B that these don't seem to take into account the performance exhaust and suspension he had on the car, which together cost around £7,000.

This has been a difficult car to value, mainly due to the change in registration plates, and not all trade guides have been able to provide a valuation. So I've had to take into account all the information available to determine what is a fair amount in the circumstances.

We have one valuation which includes the extras, which puts the market value at £68,000. This is in line with the valuations provided by Mr B that range between £67,000 and £71,000 – although not all guides used are ones approved by our Service. We've also found adverts for cars of a similar specification at £65,362 and £71,870.

Based on this information, I've persuaded that the one trade guide valuation we hold at £68,000 is in the ballpark of what's fair and reasonable. As such, I direct esure to pay this amount in settlement of Mr B's claim, minus any policy excess.

### *Interest and compensation*

I'm awarding 8% simple interest per annum on the claim settlement, to recognise that Mr B has been without this money due to esure's failure to value his car correctly at the outset. If esure has already paid Mr B its original offer of £60,597, then it only needs to pay interest on the remaining balance. Interest should be applied from 30 December 2022 – which is the date of esure's final offer – until the date the final payment is made.

I'm also awarding compensation of £100 for the distress and inconvenience caused to Mr B for having his claim settlement reduced incorrectly.

### **My final decision**

For the reasons I've explained, I uphold this complaint and direct esure Insurance Limited to:

- pay £68,000 for the market value of Mr B's car, minus any payments already made and the policy excess, plus 8% simple interest from 30 December 2022 to the date the final payment is made.
- pay £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 October 2023.

Sheryl Sibley  
**Ombudsman**