

The complaint

Mrs C says One Insurance Limited didn't pay her enough for her written-off car when she made a claim on her motor insurance policy.

What happened

Mrs C's car was damaged in a collision with a lorry. One Insurance decided it was a total loss and got a valuation of £3,090 from one of the national trade guides. But it only offered Mrs C £1,995 for the car. It said the car had high mileage and that there were advisories on the car's last MOT assessment that affected its pre-accident market value. Mrs C wasn't happy with that, or with the deduction of a further £400 for the policy excess.

One of our investigators reviewed Mrs C's complaint. He looked at the valuations in four of the national trade guides, which were between £3,090 and £3,575. He said the guides factor in age related wear and tear and mileage, so a reasonable valuation for the car would have been £3,300. He didn't think it was fair to make a deduction for advisories on an older car.

As One Insurance disagreed, the complaint was passed to me for review.

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.

We normally look at the valuations given in several of the national trade guides in order to check what a vehicle's pre-accident market value is most likely to have been. I think it's reasonable in this case to conclude from the guides that the car's market value would have been around £3,300. The valuations took into account the mileage on Mrs C's car - and the guides make an allowance for the expected wear and tear on an older vehicle.

One Insurance says the advisories aren't part of the normal wear and tear seen on older vehicles. It says had Mrs C tried to sell the car before the accident, a dealer would have deducted a sum from the offer it made her as a result of them. I don't think we can be certain about what is likely to have happened. Some dealers may have made a deduction, but if so I think it's likely to have been a small one, and I don't think some dealers would have made a deduction at all. One Insurance deducted over £1,000.

In our view, it's reasonable for an insurer to make a small deduction from a car's market value if a car doesn't have a valid MOT certificate. And if an insurer can show that a car wouldn't have passed an MOT assessment, we think it's reasonable to deduct what it would have cost to get the car to pass it. But Mrs C's car had a valid MOT certificate, so it was roadworthy in all respects. I think many cars of its age would have advisories following an MOT test. The issues highlighted may have needed attention at some point, but on a car of its age I think they are unlikely to have made any appreciable difference to its market value. So I don't think it would be fair and reasonable for a deduction to be made for them from it.

I think it would be fair and reasonable for One Insurance to pay Mrs C £3,300 for her car

(minus the policy excess of £400, which is payable on all claims) plus interest. Mrs C may be able to reclaim the policy excess from the other driver's insurer in due course.

Mrs C says One Insurance offered her £100 for poor service and she hasn't yet received it, but I think it's likely to pay the promised sum shortly. Mrs C has also told us she disputes the liability decision made after the accident. We can't look at that until One Insurance has had the time to issue a final response letter. If it doesn't, or if she doesn't accept its resolution of her complaint, Mrs C can then complain to us.

My final decision

My final decision is that I uphold this complaint. I require One Insurance Limited to pay Mrs C £3,300 for her car (minus the policy excess, so £2,900).

It should add interest to that sum, from the date it first offered her a settlement sum, to the date the increased settlement sum is paid, at the simple yearly rate of 8%.

If One Insurance has already paid Mrs C a lower settlement sum, it should pay her interest on the difference between that sum and £2,900, from the date the first sum was paid until the increase is paid, at the simple yearly rate of 8%.

If One Insurance thinks it needs to deduct tax from the interest paid, it should tell Mrs C how much is deducted, so she can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 21 September 2023.

Susan Ewins

Ombudsman