

The complaint

Miss S complains that West Bay Insurance Plc haven't given her a fair settlement valuation for her car after it was deemed a total loss.

What happened

In January 2023 Miss S made a claim on her car insurance policy following an accident.

West Bay collected the car and inspected it and deemed it to be a total loss. As a result, West Bay offered a settlement of £12400

Miss S wasn't happy with this as she says it will cost her at least £15000 to replace her car as it is a high spec model, and so she complained.

West Bay didn't uphold her complaint, and Miss S remained unhappy that West Bay rely on CAP and Glasses guides when they are valuing cars, which she says resulted in her being underpaid for her car. So she brought her complaint to us.

One of our investigators has looked into Miss S's complaint. Initially he thought the valuation was fair, but after getting further information and valuations based on the optional extras on the car, he thought a valuation of £13332.67 would be a fairer figure. Miss S didn't agree and so the case has come to me to 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.

I'm upholding Miss S's complaint and I will explain why.

Valuation

This service's role isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and taken reasonable steps to ensure a fair valuation was reached.

The terms of Miss S's policy, outline how a valuation settlement will be calculated when there is a loss. West Bay can either repair the car, or

- *"Pay an amount of cash equivalent to the loss or damage.*

The most we will pay will be either:

- *The market value of the insured vehicle immediately before the loss; or*
- *The cost of repairing the insured vehicle, whichever is the lower"*

The policy then defines "market value" as:

“The cost of replacing the insured vehicle at the time of the loss or damage compared with one of the same make, model, specification and condition”

And:

“The market value will be assessed by an automotive engineer in conjunction with the published trade guides at the time of loss”.

West Bay obtained the standard retail valuations for the model of car which were Glass's – £12340, CAP – £12127, and Cazana – £12388. The average of these was £12285, and West Bay offered £12400 to Miss S which was at the top end of this.

Miss S says she couldn't replace her car with a like for like one for the amount West Bay paid her and has sent in adverts for similar cars. The valuation of a used car isn't an exact science, and it's standard practice for the industry to use valuation guides to work out the estimated market value of a car. And it's not unreasonable that it does so, as the valuations the guides give are based on national research on likely selling prices of similar cars with similar age and mileage for sale at the time of loss. We usually find the valuation guides more reliable than individual adverts which can vary vastly in price, and often advertised prices allow room for negotiations.

However, on reviewing the valuations provided by West Bay, I noted that they didn't take into account the optional extras on Miss S's car, which included a panoramic sunroof, cruise control and heated seats. I'm satisfied that these would be quite desirable extras even on a seven year old car, and so I asked the investigator to obtain bespoke valuations to include these extras.

Updated valuations were provided by CAP and Autotrader on the basis of a car with these extras, which were £13250 and £13675 respectively. We also obtained a Cazoo valuation of £13073. The average of these valuations is £13332.67, which seems fairer, and more in line with current advertised values on Autotrader – and so I'm satisfied that this is a fair valuation and Miss S should be able to replace her car with a similar one for the above figure.

Putting things right

In order to put things right I think that West Bay should:

- Pay Miss S an additional £932.67 to bring the settlement paid up to £13332.67
- Pay Miss S 8% statutory interest on the £932.67 they have underpaid from the date that settlement was issued, until the date this balance is paid.

*If West Bay Insurance Plc considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss S how much it's taken off. It should also give Miss S a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I'm upholding Miss S's complaint about West Bay Insurance Plc and directing them to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 2 August 2023.

Joanne Ward
Ombudsman