

The complaint

Mr H has complained about the amount UK Insurance Limited (UKI) paid in settlement of a claim he made under his motor insurance policy.

What happened

The details of this complaint are well known to both parties, so I will not repeat them again in full detail here. But to briefly summarise, Mr H is unhappy with the valuation placed on his car following a total loss claim under his policy – £11,690.

Our investigator didn't think Mr H's claim should be upheld. She said UKI had based its valuation on some of the recognised motor industry trade guides our service typically relies on. She checked the four guides our service checks and said UKI's valuation was within the range of valuations returned by those four guides. So, she said UKI's claim settlement was fair and reasonable.

Mr H didn't agree with our investigator's assessment. So, as no agreement has been reached, the complaint has been passed to me to decide.

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 agree with the outcome reached by our investigator. I'll explain why.

Mr H's policy covers him for the market value of his car, at the time of loss – which is fairly standard within the motor insurance industry.

Market value is defined in the policy as:

“The cost of replacing your car with another of the same make and model, and of a similar age and condition at the time of the accident or loss.”

Mr H complains that the valuation placed on his car by UKI is too low. He says he's unable to replace his car with one of a similar make and model for that amount.

UKI based its valuation on the average valuation returned by two of the recognised motor trade guides. It used the correct mileage and date of loss when using the guides, and the valuations returned were:

- CAP: £11,550
- Glass's £11,830

I've obtained my own valuations from two additional motor trade guides our service typically uses when assessing complaints about motor valuations, to give a total of four guides. The additional valuations I obtained were:

- Percayso (formerly Cazoo): £12,612
- Autotrader: £11,666

Our service's normal approach in these types of complaints, considers that a valuation within the range of valuations returned by the trade guides is typically fair. This means somewhere between the highest and lowest figure. The average of the four valuations above is £11,914.50 and UKI's valuation was £11,690. So, the amount offered by UKI is within the range of valuations returned by the guides, and close to the average of the four.

I've thought carefully about Mr H's complaint that he wasn't able to replace his car in the market for the amount paid by UKI – based on sales adverts for similar cars he's provided to us. But our service finds the motor trade guides to be more persuasive than sales adverts, largely because their valuations are based on nationwide research and likely sales figures all of which are updated regularly. The guides also take into account regional variations. We're confident these guides give a good reflection of the true market value of a car.

We also find the motor trade guides to be more persuasive than sales adverts because advertised prices are often the starting point of a negotiation, and are what the seller would like to achieve, rather than the final price the car actually sells for.

And, in this particular case, I'm mindful that the majority of the adverts Mr H has provided are for cars with different registration years (2017 instead of 2016) or registration releases (66 plate instead of 16 plate). And some have substantially lower mileage and/or slightly different specifications (sport vs standard) than Mr H's car. All of these variables are likely to have some impact on the advertised price for each car.

The closest examples to Mr H's car, based on mileage and registration years, were advertised at £12,450 and £12,999 – one with 7,000 less miles and the other around 16,000 less. And as already mentioned, advertised prices are often the starting point of a negotiation. It doesn't seem unlikely that cars advertised at the above amounts and/or with more similar mileage to Mr H's car, could be negotiated to sell for closer to £11,690. So, taking all of the above into account, the adverts provided by Mr H haven't persuaded me that it would be unfair or unreasonable to rely on the valuations returned by the motor trade guides.

To summarise, UKI's valuation is in line with the valuations returned by the guides our service typically relies on. I find the guides more likely to represent the true market value of Mr H's car than the adverts he's provided. So, taking all the evidence into account, I think UKI's valuation was fair and reasonable, and it follows that I'll not be directing it to take any further action.

My final decision

For the reasons I've explained above, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 August 2023.

Adam Golding
Ombudsman

