

The complaint

Mr M is unhappy with the settlement he's been offered by West Bay Insurance Plc (West Bay) after his car was deemed a total loss.

What happened

Whilst parked, Mr M's vehicle was damaged by a third-party vehicle, so he made a claim to West Bay, his car insurance provider.

West Bay considered the car a total loss. They initially offered a settlement of £6,299 but Mr M was unhappy with this as he said the car was worth £18,000+ so he would like the claim settlement increased to £18,000. West Bay didn't agree but did increase the settlement offer to £10,814.

As Mr M remained unhappy with the settlement offer, he approached this service.

Our investigator looked into things, but she didn't uphold the complaint. She said West Bay's settlement offer was reasonable, so she didn't recommend it be increased.

Mr M didn't agree and asked for a final decision from an ombudsman.

I reached a different outcome to our investigator, so I issued a provisional decision, to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

"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've reached a different outcome to our investigator. So, I'm issuing a provisional decision, to give both parties an opportunity to comment on my initial findings before I reach my final decision.

Mr M's insurance policy with West Bay outlines that in the event of total loss they will pay the market value of the vehicle. This is defined in the policy as:

“Market Value

The cost of replacing the insured vehicle at the time of loss or damage compared with one of the same make, model, specification and condition. If the insured vehicle was first registered as new in a country other than those contained within the geographical limits any assessment of market value will take into account that the car has been individually imported into a country contained within the geographical limits but will not include any delivery costs incurred at the time of importation. The market value will be assessed by an automotive engineer in conjunction with the published trade guides at the time of loss.”

In West Bay’s final response, they said they had relied on two market valuation guides to reach their initial settlement offer of £6,299. But as Mr M was unhappy with this, they’d increased the offer to £10,814.

Our investigator explained to Mr M that the approach of this service is to rely on the trade guides when obtaining a valuation. So, she said the approach taken by West Bay was fair. And as West Bay had increased the offer to above what the trade guides had said, she said the settlement was fair.

Our investigator was correct in her explanation of our general approach to motor valuation disputes. We usually first consider what the trade guides say. The guides are independent of the insurance industry, and from one another. The guides also take into account regional variations and their valuations are based on nationwide research and likely sales figures.

However, despite what West Bay said in their final response, they didn’t actually use the trade guides to obtain the initial valuation. Because of the age of the vehicle, the trade guides were unable to provide a valuation. So instead, West Bay relied on online adverts for similar vehicles they found, in the range of £6-7,500.

Mr M provided online adverts too, but for considerably higher amounts. So West Bay increased their offer to in between the higher and lower adverts.

Obtaining a valuation for an older vehicle which doesn’t appear in the trade guides isn’t an exact science, and all the information that can be obtained needs to be taken into account. For example, online adverts for similar vehicles, expert reports, independent valuations and any other information which can be obtained.

Mr M says his vehicle is worth around £18,000. He says the adverts West Bay relied on weren’t vehicles which were similar to his, not least because he had his vehicle restored in the ten years he’s owned it, along with maintaining it to a high standard. This isn’t Mr M’s daily vehicle, instead it’s part of his collection. And having seen pre-loss images of the car, it does look to be in very good condition, and well cared for by Mr M.

The difficulty I have though in obtaining a valuation is that it doesn’t feature in the trade guides. And online adverts vary hugely in price. From various online searches I’ve completed from well-known vehicle advertising sites, they can range from £4-6,000 up to £30-40,000. So, there isn’t an average or even in the range of price, and the production year of the vehicle and the mileage doesn’t seem to have much bearing on where, in that wide range of prices, the vehicle is.

So, putting an approximate valuation based on adverts is difficult to do. This is reflected in West Bay finding adverts in the range of £6-7,000, whereas Mr M valuing his vehicle, and providing examples, at a considerably higher amount.

But as I say, Mr M's vehicle does appear to be well looked after, and he's explained he had it restored and has owned it many years taking it to events and shows. Mr M has asked for £18,000, which is around the mid-way between vehicles advertised online, either in much worse condition and near the lower end of prices, to mint condition with very low mileage towards the upper end of prices.

In addition, Mr M has also provided a letter from the director of a car dealership who appear to specialise in classic and prestige vehicles – which Mr M's vehicle is, who said:

"I can confirm that I inspected and road-tested the above car at the end of Summer 2022 as a potential part-exchange against another vehicle we had in stock.

At the time, we considered the true retail value of the car to be a conservative £20,000.00.

We offered (Mr M) £17,000 as a trade purchase, but our offer was refused.

Due to the current time of year, and the seasonal nature of the car, we would now consider the true retail value to be £22,000."

Having taken all the information I've seen into account, I'm persuaded, on balance, that the amount Mr M has asked for – in the mid-range of other vehicles available and in the range of what the dealership said - is a fair reflection of the valuation of his vehicle. Without anything to demonstrate why the amount should be much lower, or indeed much higher, I think £18,000 is a fair and reasonable valuation in the circumstances. So, unless anything changes as a result of the responses to provisional decision, I'll be directing West Bay to increase the settlement to a total of £18,000 before excess deduction.

In addition, unless anything changes, I'll also be directing West Bay to add 8% simple interest to the additional settlement amount from when the original settlement was made to the date of payment of the remainder.

With any claim there will be inconvenience. Mr M has needed to correspond with West Bay and their appointed agents to try to negotiate a fair settlement. He's provided evidence in support of his position as requested by West Bay, but despite this, I do think the offer made by West Bay was far too low for the reasons I've explained.

West Bay could've easily explored, as I have, the wide-ranging values available, but it seems they have simply focussed solely on the low end despite all the information Mr M presented in support of his position. Had West Bay researched further, it's likely a higher, fairer, settlement would've been reached. So, I'm also minded to direct West Bay to pay Mr M £150 for the service he's received and the additional inconvenience he's been caused."

Therefore, I said that I was minded to uphold the complaint and to direct West Bay to increase the settlement (pre excess deduction) to £18,000, to add 8% simple interest to the difference and to pay Mr M £150 compensation.

The responses to my provisional decision

Mr M responded to the provisional decision and said he was in agreement with it.

West Bay responded but they didn't agree. They said the examples seen online had different mileage or different years of manufacture and therefore the higher value examples should be disregarded. They also referred to previous examples Mr M provided. And they provided additional adverts which they say are similar vehicles.

West Bay disagreed that the mileage of the vehicles seen online doesn't have much bearing and referred to specific examples. They said if they added some of the specific examples to previous examples both they and Mr M provided, the average would be lower than £18,000.

Additionally, West Bay also said that when taking out the policy, Mr M asked for an agreed value option of £25,000 to be added to the cover, but then didn't complete the necessary paperwork so there wasn't an agreed value in place. They said if Mr M had done this, the market value now would be irrelevant.

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, my final decision remains the same as my provisional decision.

Firstly, I acknowledge West Bay's comments that Mr M originally asked for an agreed value policy, but didn't complete the paperwork, and therefore the valuation of £25,000 wasn't agreed under the policy. I recognise that, which is why I'm considering market value, in line with the terms of the policy Mr M has. I also haven't said West Bay should pay £25,000 either.

I note West Bay's comments on the adverts, the examples they provided, and what they deem to be market value. However, I explained in my provisional decision that where the market valuation guides can't obtain valuations, which is relevant here, all the information that can be obtained needs to be taken into account. Such as online adverts for similar vehicles, expert reports, independent valuations and any other information obtained.

The examples I provided were to illustrate the point that the values hugely vary. And my view remains that it doesn't necessarily appear, more generally, that if the vehicle is newer, or with lower mileage, it will always attract a higher value. There are examples of older vehicles with higher mileage attracting a higher value than those which are newer with lower mileage. So, as I say, putting an exact value on the vehicle isn't possible.

But as I also explained in my provisional decision, Mr M's vehicle isn't his daily car. Instead, it is a car which he has taken to shows, as part of the manufacturer of the car owner club. Whilst it does have a higher (but still below average) mileage, in the ten years Mr M has owned the car, he's had it restored and maintained, and he's provided a portfolio of information to West Bay to show some of the work that's been carried out. And having seen images, it does look to be in very good condition, and well maintained by Mr M, as part of his collection.

I also referred to a letter written by a director of a car dealership who specialises in classic and prestige vehicles, which Mr M's is. And they have given their view on the value, including confirming what they actually offered Mr M for the vehicle as a trade offer. And I find this persuasive given they would have offered a value in line with what it was worth and also taken into account a slight deduction for a trade value.

So, whilst determining an exact value isn't possible, having taken into account all the other available information available, I'm still satisfied £18,000 is a fair and reasonable value in all the circumstances of the case, for the reasons outlined above and in my provisional decision. So, I'm directing West Bay to increase the settlement amount (pre-excess deduction) to £18,000.

I'm also directing West Bay to add 8% simple interest to the additional amount due, from the date the first settlement was paid to the date of payment of the remainder. And I'm also satisfied £150 compensation is fair in the circumstances for the reasons outlined in my provisional decision.

My final decision

It's my final decision that I uphold this complaint and direct West Bay Insurance Plc to:

- Increase the settlement to £18,000 before excess deduction
- Add 8% simple interest to the additional settlement amount from date of the original settlement payment to date of the additional payment
- Pay Mr M £150 compensation

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 September 2023.

Callum Milne
Ombudsman