DRN-4424848

Financial Ombudsman Service

The complaint

Mr S is complaining about the amount esure Insurance Limited has paid to settle a claim he made on his car insurance policy.

What happened

Mr S's car was damaged in an accident, so he contacted esure to make a claim through his car insurance policy. esure declared the car a total loss and it said it would settle the claim by paying him the car's market value, less his excess. It valued the car at £7,438. Mr S didn't think that was a fair valuation, so he referred his complaint to this Service.

Our investigator upheld this complaint. He said esure had assessed the case by reviewing four market value guides. However he said this Service has access to a fifth guide and he thought Mr S had lost out because esure hadn't used all the guides available. He said the lowest guide valuation was out of line with all the other guides, so shouldn't be taken into consideration. But he thought the other four guides fell into two brackets. And he thought the higher two guides were a fairer reflection of the market value. So he thought esure should increase its valuation to £8,337.

esure didn't agreed with the investigator's opinion as it disagreed that three of the guides should be discarded. It did agree one was out of line of the others, however, it thought the fairest way to value the car was to take an average of the remaining four guides. So it offered to increase the valuation to £7,918.25 – an increase of £480.25.

I issued a provisional decision and I said I thought esure's latest valuation was fair and I said the following:

"This service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy correctly and valued the car fairly. 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. The valuation the guides give are based on the advertised prices of similar cars with similar age and mileage for sale at the time of loss. But I would also expect an insurer to also consider all other evidence available to it.

esure assessed the value of Mr S's car by using four valuation guides which produced valuation figures of £6,660 ('figure one'), £7,499 ('figure two'), £7,500 ('figure three') and £8,094 ('figure four') respectively. However, this Service has also obtained a fifth valuation which produced a valuation figure of £8,580 ('figure five').

I've thought about whether all guides should be used or any discounted as being out of line. All parties have agreed that figure one is out of line of all the others so should be discarded. I agree with this. The issue for me to decide is whether figures two and three should also be discarded. I don't think they should. Where there is a significant different range in valuations the guides give – as we have in this case – I would expect esure to also consider how much cars were selling for at the time by consider available empirical evidence (such as adverts). It should then also compare this against the valuations given. In this case, one of the *valuation guides it provided this Service included a list of advertised cars available at the time of the incident. So I would have expected esure to have taken this into account.*

However, I'm also conscious that Mr S's car had travelled around 100,000 miles and many of the adverts for similar cars for sale were for cars that had travelled less than Mr S's had. So I'm not persuaded the adverts I've seen are entirely reflective of the car's market value. Taking everything into consideration, I think it's fair to consider all the valuation guides, which the exception of figure one. So I think esure's latest valuation – in response to the investigator's opinion – of £7,918.25 is a fairer valuation of Mr S's car's market value. So I'm inclined to say esure should pay a further £480.25 (plus simple interest)."

Mr S didn't accept the investigator's opinion and, in summary, raised the following points:

- He thinks the valuation now being presented reflects the car's market value at the date of this decision – around 12 months after the date of loss. So he still doesn't believe it's a fair reflection of the car's market value at the time of loss.
- He said he'd just put on a brand new set of tyres on the car, full service history and spent thousands on maintenance or the car.
- He says the car's market value should represent what he would have to pay to get a car of the same type, model, variant and the optional extras that were with the car and the car sourced at least within 100 miles of where he lives.
- He provided three adverts of similar cars which he says supports that he couldn't replace the car for the amount esure is valuing the car at.
- He doesn't think the guides reflect that the cars sell for nearer the asking price – i.e. there isn't any form of negotiation in the advertised prices.

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've taken Mr S's comments into consideration, but I've come to the same conclusion as I did in my provisional decision. The valuations the guides give reflect the market value they considered Mr S's car to be at the date of loss – i.e. not at the current date. I note Mr S says that he couldn't replace the car for the amount esure is offering, but esure isn't required to replace the car, but the market value is what the car would sell for.

I understand Mr S's statement that he couldn't replace the car, but it needs to be remembered that his car had a higher than average mileage which has an impact on the car's market value. As I said in my provisional decision, I was able to see a list of similar cars available for sale at the date of loss. I recognise that a number of the advertised prices were advertised for higher than £7,918.25 but they also had a lower mileage. And I haven't seen anything to say that the valuation guides aren't a fair way to assess the expect sale price of Mr S's car.

I recognise Mr S had maintained the car and paid to put new tyres on the car etc. But these are costs that one would reasonably expect to have to complete with owning a used car. Ultimately I remain of the opinion that £7,918.25 is a fair reflection of Mr S's car's market value and I see no reason to reach a different conclusion to the one I reached before.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require esure Insurance Limited to pay Mr S a further £480.25, plus 8% simple interest per year on this from when it paid the initial settlement until it pays the further £480.25. If esure

Insurance Limited thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 December 2023.
Guy Mitchell
Ombudsman