

The complaint

Mrs S has complained about the amount Tesco Underwriting Limited paid in settlement of a claim she made under her 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, Mrs S is unhappy with the valuation placed on her vehicle following a total loss claim under her policy.

Mrs S has brought this complaint to our service through a representative. But for ease of reference, I'll only refer to Mrs S by name, even when referring to evidence or arguments put forward by her representative.

One of our investigators considered Mrs S's complaint, but she didn't think it should be upheld. She said the settlement Tesco had offered was in line with the valuations returned by the motor trade guides our service typically relies on when considering complaints of this nature. She said the adverts provided by Mrs S were less persuasive than the guides, so she didn't think Tesco had acted unfairly.

Mrs S didn't accept 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.

Mrs S's policy covers her for the market value of her vehicle, 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 the car with one of similar age, type, specification, mileage and condition, immediately before the loss or damage happened.”

Tesco initially deemed the market value of Mrs S's vehicle to be £14,560. But this was later increased to £15,197 following a subsequent review of Mrs S's concerns about the initial offer.

Mrs S complains that the valuation placed on her vehicle by Tesco is too low. She says she was unable to replace her vehicle with one of a similar make and model for that amount.

Our investigator explained our service's normal approach in complaints of this nature is to check four recognised motor trade valuation guides to establish what a fair market value for a vehicle is likely to be.

Tesco already checked three of the same guides our service uses which returned the following valuation figures. I've checked and Tesco used the correct date of loss and mileage when calculating these market value figures:

- Glass's: £14,560
- CAP: £14,695
- Auto Trader: £15,321

As our service typically checks a fourth guide, our investigator obtained a valuation from this guide, using the same mileage and date of loss details:

- Percayso: £14,193

Our service's normal approach in these types of complaints is to say a valuation within the range of valuations returned by the trade guides is typically fair. But this is provided there's no other evidence to suggest the lower guide values might not reflect the likely cost of buying a similar car. In this case, there's a reasonable amount of variance between the valuations returned by the motor trade guides, so I've looked at the other evidence available. This is adverts for cars similar to Mrs S's for sale.

While we don't place as much weight on adverts as we do on the guides, they do provide a useful check when we are trying to work out what a fair valuation is, in light of a range of guide values. I do of course appreciate cars don't always sell at what their advertised for, but our research suggests there is now much less room for negotiation and many sell at or close to the advertised price.

Mrs S has provided three sales adverts for similar cars advertised for sale around the time of the accident. She's explained that her car was an automatic, and that it was a special edition which had been discontinued, which meant there were not many available for sale. She said this would likely increase the market value.

The adverts Mrs S provided were for cars of the same make, model and registration year. Two of these also had covered broadly similar mileage to Mrs S's car (one around 600 more miles and the other around 2000 more. However, the third (which I understand is the car Mrs S actually bought) had covered around 20,000 less miles. This is likely to have a significant impact on the sale price, and so I think it's reasonable to discount this advert when weighing the advertised prices against the figures returned by the trade guides.

Our service still finds the trade guides to be more persuasive, overall, than sales adverts. This is because their valuations are based on nationwide research of likely sales figures all of which are updated regularly, and they take into account regional variations. We're confident the guides give a good indication of the likely market value of a vehicle. But where there are sales adverts for higher amounts, we'd consider whether these suggest a value at the higher end of the guide values is fairer than a valuation in the middle or lower end of the range of figures.

In this case, the two adverts I consider to be reasonable comparisons were advertised for sale at £16,495 and £17,199 respectively. But Tesco has also provided an advert for a comparable car, with roughly 3,000 more miles, which was advertised at only £14,469. And I need to consider that the pre-accident condition of Mrs S's car was considered to be fair, rather than excellent, when it was inspected.

Taking everything into account, especially the variance within the trade guides and advertised prices, I'm of the opinion that Tesco's valuation of Mrs S's car was fair and reasonable. This is because at £15,197, it's already at the upper end of the valuations returned by the guides. The adverts provided haven't persuaded me that Tesco's valuation was unfair, largely because there was variance within advertised prices for comparable vehicles too.

I've also thought carefully about Mrs S's argument that the guides are unlikely to provide fair valuations for customers who own their cars outright, because dealerships are likely to offer greater discounts to customers also taking out finance. I appreciate Mrs S's argument, but the guides we rely on mainly use adverts to work out likely selling prices and I'm satisfied they generally they reflect what someone would have to pay for a car in cash.

To summarise, Tesco's valuation is at the higher end of valuations returned by the guides our service typically relies on. I find the guides more likely to represent the true market value of Mrs S's car than the adverts she's provided. So, taking all the evidence into account, I think Tesco'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 Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 25 December 2023.

Adam Golding
Ombudsman