

## **The complaint**

X complains that the amount UK Insurance Limited, trading as Direct Line, offered to settle their motor insurance complaint is too low.

## **What happened**

X had a fully comprehensive insurance policy with Direct Line.

On 7 August 2023, X's car was stolen, and they made a claim to Direct Line. It offered to settle the claim based on a valuation of £23,236 for the car. X did not accept that valuation. They said the basis of the offer was flawed in that it was based on AI-based valuation guides and did not reflect the rarity of the vehicle. X said that only two cars of the same specification as theirs were produced in the same year. X's position is that if they had purchased a car now with the same features, it would cost approximately £50,000.

X complained to Direct Line about its settlement offer. In response, it said that in order to decide what X's car was worth, it had consulted three valuation guides. It discounted one guide because it thought the model it was based on was not correct. The other guides produced valuations of £20,048 and £20,241 respectively. Direct Line averaged those figures and then added a further £3,091 in recognition for what it said were the extra features on X's vehicle.

X then complained to this Service and Our investigator considered their complaint. He didn't think the complaint should be upheld. He consulted another valuation guide and said that Direct Line's offer fell within the range of all the valuations shown in the various guides.

X did not accept that view. By way of brief summary, they said the valuation guides used did not produce a fair outcome. X contended that there may be gender bias in the valuation guides, and the guides did not address rarity. X provided an advert for a car that they felt was similar to theirs in another country, which was priced at around €36,500. X also told us that they had looked at the market for their car's additional features and thought they would be worth more than Direct Line had accounted for.

As X did not accept our investigator's view, the matter has been passed to me for a final decision.

## **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 appreciate X will be disappointed with my decision, but I'm afraid I haven't upheld the complaint. I'll explain why.

The terms and conditions that apply to X's policy say that where their car has been stolen, Direct Line will pay up to the market value of the vehicle. Market value is defined in the policy as *'the cost of replacing [the] car with another of the same make and model, and of a similar age and condition at the time of the accident or loss'*.

It's not the role of this Service to value X's car. Instead, our role is to consider whether, in all the circumstances, Direct Line's offer was fair.

Assessing the value of a vehicle isn't an exact science. That is particularly so in this case as a vehicle with exactly the same specification as X's is rare. However, more generally as a Service, we think it is fair for an insurer to base its settlement on the valuations it may obtain from independent valuation guides. Each guide uses a different method to calculate its valuation and so with this in mind, as a Service, we consider it fair for an insurer to use multiple valuation guides in order to reach a fair valuation.

Our investigator consulted four guides and the following valuations were obtained: Guide 1 - £19,220; Guide 2 - £20,250; Guide 3 - £20,270; and Guide 4 - £20,677. The valuations obtained here are in line with those obtained by Direct Line and are consistent. X's car had 80,000 miles on the clock when it was stolen, whereas the average mileage for a similar car and age would have been 59,000. And the valuations set out above have included a deduction for the higher-than-average mileage X's car had.

In making its valuation assessment, Direct Line recognised that X's car had a number of features that were not reflected in the valuation guides. It obtained the cost of the additional extras as new and then deducted 35.5% from the value of the extras. This was to match the depreciation in X's car. The value of the parts was then added on to the amounts shown by the valuation guides. I'm satisfied that Direct Line has looked to act reasonably here, and its approach seems fair.

I can see from the grounds of complaint that X strongly disagrees with the valuations produced by the guides. X stresses the rarity of their vehicle and points out there are very few available models the same as theirs.

I am mindful of the advert supplied by X and the value of the vehicle shown is €36,500. However, even if I were to accept that Direct Line was not limited to considering the UK market when valuing a vehicle, I am not persuaded that this advert shows X's car was unfairly valued.

I say this because I note the car in the advert had approximately 60,000 miles (or 97,000 kilometres) on the clock with one previous owner; whereas X's had approximately 80,000 miles and four owners. In my view, both factors, but particularly the higher mileage, could well cause the cars to be valued differently. In addition to that, I can't reasonably say this car was like for like given that, amongst other things, the vehicle was left hand drive. And this would have a significant impact on the valuation of the car as well, as X has acknowledged.

X also disagreed with the value Direct Line placed on the car's extra features. They provided a number of adverts which they say show the additional features were worth more than Direct Line said. I've had careful regard to these adverts, but I'm afraid I don't agree with X on this point. I recognise the parts X showed us were used parts, but I cannot see an indication in the adverts as to how old these parts are. I said above that Direct Line had calculated the value of the features from new and had then applied a deduction for depreciation. I think this approach seems fair.

In their complaint submissions more generally, X did not consider the use of the valuation guides to be fair and said there was a possibility of gender bias in their use. I appreciate X's strength of feeling on this point. However, assessing the market value of a vehicle using a number of valuation guides is a well-established approach. I appreciate that X's vehicle is rare, but Direct Line took account of that and made some adjustments. I consider this to be a fair approach to working out the value of X's car. In addition to that, I have not seen any evidence of gender bias in the valuation tools themselves. For example, the data entered is based purely on the vehicle and the personal characteristics of the vehicle's owner are not entered into the tools.

As our investigator said, given the rarity of X's vehicle, it may have been preferable for X to have taken out an 'agreed value' policy. However, the cover they had was a 'market value' policy. Taking account of all the circumstances of this case, I am satisfied that Direct Line's approach to establishing the market value here was fair.

It follows that I'm afraid I haven't upheld the complaint and I don't need to tell Direct Line to take any further action to put things right.

**My final decision**

I don't uphold this complaint about UK Insurance Limited trading as Direct Line.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 4 June 2024.

Colin Keegan  
**Ombudsman**