DRN-4500789

The complaint

Mr M is unhappy with the settlement paid to him by U K Insurance Limited trading as Churchill Insurance ("Churchill") following a claim he made on his motor insurance policy.

What happened

Mr M was involved in a motor accident and his car was damaged, so he made a claim to his motor insurer, Churchill. Churchill considered Mr M's claim and accepted it. Churchill declared the car was a total loss, and paid Mr M a settlement amount. This offer was £37,700, based on Churchill noting the pre-accident value of Mr M's car as £38,250, minus a £550 policy excess.

Mr M didn't consider this settlement to be fair because he felt the valuation Churchill had placed on his car was incorrect. Mr M felt the market value of his car was more than what Churchill had said it was. And, Mr M said that Churchill hadn't taken some key factors into account when arriving at its valuation – these being that his car was a higher specification, rarer model.

Mr M complained to Churchill. It responded and maintained its position. Churchill said it had arrived at the valuation by its use of motor trade guides and market research. It was satisfied that the valuation its engineers had arrived at was fair. So, it didn't look to increase this.

As Mr M remained dissatisfied, he referred his complaint to the Financial Ombudsman.

Having reviewed the complaint, I issued a provisional decision to both parties. In it, I said:

> *I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*
>
> *Based on what I've seen so far, I intend to uphold Mr M's complaint. I'll explain why.*
>
> *The policy's terms and conditions say that Churchill will pay the cost of repairing or replacing the car up to its UK market value at the time of a claim.*
>
> *It defines "market value" 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."*
>
> *I think it's reasonable for the market value to be assessed as the retail price Mr M was likely to have to pay for a comparable vehicle at a reputable dealer. The fairest way of doing this is by using the standard industry guides. These are based on extensive national research of likely selling prices. They can usually provide valuations based on the make, model, age, condition and specification of a vehicle.*
>
> *But, in this particular case, Mr M's car was uncommon. He's explained that only a limited number of that specific model were produced.*

Churchill says it used three guides. It says one provided a value of £38,250 while the other two weren't able to provide a value, likely due to the rarity of Mr M's car.

On checking the trade guides, they showed the same information as Churchill found. The information from the guide Churchill used also indicated that the guide identified Mr M's car as being the specific model that it was.

I've reviewed a fourth guide, which provided a valuation of £42,383. Mr M has also provided valuations from this guide. For his car, it provided him with a valuation of £39,280. And with two other registration numbers of similar cars but of different specifications, the guide provided a valuation for both at £39,250. Mr M says this shows that this guide doesn't take account of his car's higher specification.

I can't speak to the ways in which this guide provided valuations to Mr M. And I've noted that the information I've seen from the £42,383 valuation doesn't state that his car has been identified as the higher specification model. But, given the higher valuation than the one this guide provided to Mr M, I think it likely has taken this into account.

Given the rarity of Mr M's car, and as the trade guide valuations are quite far apart, I think other evidence is especially important. Churchill said its engineers found no comparable vehicles for sale. It said it saw 2015 models, but they weren't like-for-like.

Mr M has provided several adverts, some of which he says he provided to Churchill. These adverts don't represent exactly how much Mr M's car was worth. But they do broadly support what Mr M has said – that the specific model of his car tends to attain a higher market value.

Mr M's car was from 2014 with a mileage of 33,000. The closest match to this is an advert with an asking price of £42,950.

Mr M has also provided information from two dealerships, which he says were provided to Churchill. These gave valuations for his car of £43,000 and £44,000.

There's no exact science to reaching the market value, and I appreciate that prices from adverts and dealerships aren't always the price paid in the end. But the available evidence suggests a higher market value for Mr M's car than that reached by Churchill. So, I don't think Churchill has fairly valued Mr M's car.

The industry guides provide a range of values from £38,250 to £42,383. Taking into account the additional evidence provided, I think it would be fair and reasonable for Churchill to settle Mr M's claim in line with the higher guide valuation, of £42,383.

I think Churchill should pay Mr M the difference between this and its original valuation of £38,250, which I calculate to be £4,133. It should also pay interest on this sum from 22 June 2023 (being the date on which it paid Mr M the lower amount) to the date it pays him.

I also think Churchill's decision to value Mr M's car at a lower amount has caused him stress and upset. Mr M has said he's suffered loss of enjoyment from being unable to replace and continue to use his car – including missing out on travelling to a motoring event. I haven't seen evidence of this, but I can understand from what Mr M has said that it was important to him to replace his car with a like-for-like model, which he wasn't able to do with the amount Churchill paid to him. I think this would *have caused him further upset and disappointment. For this, I think Churchill should pay Mr M compensation of £200.*

I set out what I intended to tell Churchill to do to put things right and asked both parties to send me any further evidence or arguments they wanted me to consider.

Responses

Mr M didn't provide any further comments or information for me to consider.

Churchill responded to say that it thought I'd dismissed the valuation it had obtained and went straight for the higher valuation provided by the fourth guide that I mentioned in my provisional decision. Churchill suggested that using an average of the two guides that did provide a valuation for Mr M's car would be a fair compromise. Churchill added that it based its valuation on the only guide it had available that provided a value for Mr M's car, so it didn't agree it made an error.

Churchill also said because of the rarity of Mr M's car it would be difficult for him to replace – so it didn't think that £200 compensation for Mr M's disappointment at being unable to replace his car was justified.

In light of this, I now think it's appropriate to issue my 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.

Having done so, I've decided to uphold the complaint.

I understand Churchill are concerned that I've relied only on the higher guide and dismissed the valuation it obtained. I also understand Churchill used the only guide it had available that provided a valuation for Mr M's car. I'd first like to say that our service's approach, based on industry guidelines, states that valuations from all available guides should be sought, and considered. And on this occasion I can see our service obtained a valuation from a guide Churchill didn't use, which presented a higher value. As Churchill had the opportunity to obtain a valuation from this guide, I think it's reasonable for me to consider it when thinking about what a fair valuation should be.

The two guides that provided a valuation represent a range, and the evidence I've seen – including several advertisements from private and auction sales along with testimony from two dealerships – persuades me that the higher end of the range most likely represents the market value of Mr M's car. So, I still think it's fair that the higher end valuation is paid to Mr M in line with the terms of his insurance contract.

I also appreciate Churchill's comments that Mr M may have had difficulty replacing his car with a truly exact match. But given the extensive market research Mr M has done on the same and similar vehicles, I'm persuaded that it's his intention to replace the car, and I don't think the lower valuation enabled him to enter the market at the same price point as he should have been able to. And I'm satisfied this would have been frustrating and distressing, considering he'd provided much of the same evidence to Churchill in support of his claim. So, I think £200 is the appropriate figure to reflect the trouble and upset caused.

Putting things right

Churchill should pay Mr M:

- £4,133 to reflect the increased valuation of his vehicle,
- Add interest to the above, calculated at 8% simple per year* from 22 June 2023 to the date the settlement is paid, and
- £200 for distress and inconvenience.

*If Churchill 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.

My final decision

My final decision is that I uphold this complaint. I direct U K Insurance Limited trading as Churchill Insurance to settle Mr M's claim and pay compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 January 2024.

Chris Woolaway
Ombudsman