

The complaint

Mr A complains that the offer UK Insurance Limited, trading as Direct Line ('Direct Line'), made to settle his motor insurance claim is too low.

What happened

In March 2023, Mr A's car was damaged in an accident. He held a fully comprehensive motor insurance policy with Direct Line and so he made a claim.

Direct Line decided it wasn't economical to repair Mr A's car. It offered to settle the claim on the basis that the vehicle was worth £11,812 on the day it was damaged. Mr A did not accept that valuation. He said he'd looked at similar cars to his that were advertised for sale and that Direct Line's offer was approximately £2,000 less than the lowest value he could find.

Mr A then complained to this service. Our investigator considered three trade valuation guides and said he thought Direct Line's offer to settle the claim was fair. Mr A didn't agree with our investigator's view and the matter was passed to me for an ombudsman's decision.

I asked our investigator to consult another trade guide. I also asked him to find out from Mr A whether he was able to provide copies of the adverts he'd seen for sale shortly after the accident. Mr A said he didn't have the adverts but pointed out he had provided the registration numbers and advertised prices of the cars in question.

I issued a provisional decision because I thought Direct Line's valuation was too low. I said:

"The terms and conditions that apply to Mr A's policy say that where it is not economical to repair his vehicle, Direct Line can settle the claim by paying the market value of the car on the day it was damaged. 'Market value' is defined in the policy as the cost of replacing Mr A's car with another of the same make and model, and of a similar age and condition at the time of the accident or loss.

Assessing the value of a car isn't an exact science. Like most insurers, this service often finds motor trade guides persuasive. That's because their valuations are based on nationwide research and they show likely selling prices at the month of loss.

Mr A told us about a number of adverts he'd seen at around the time his car was damaged. I appreciate he has provided the registration numbers of those vehicles and the prices for which they were advertised. However, without copies of the adverts themselves, I cannot say whether the vehicles Mr A referred to were comparable to his own vehicle. So, I'm afraid I haven't given considerable weight to the information Mr A provided in that regard.

That said, I can see that Direct Line consulted three valuation guides and obtained the following valuations: Guide 1 - £11,070; Guide 2 - £12,195; Guide 3 - £12,172. I can see that Direct Line entered the correct date of loss, make, model and mileage of Mr A's car when it obtained the valuations. I asked our investigator to consult a fourth

guide, which produced a valuation of £12,649 ('Guide 4') on the date of loss. I am satisfied that our investigator also entered the correct information when obtaining this valuation.

In considering all four valuations, it seems to me that the valuation produced by Guide 1 is over £1,000 less than the valuations shown in Guides 2, 3 and 4. Guides 2, 3 and 4 all show similar valuations of more than £12,000. With that in mind, I think Guide 1 is an outlier and it should be disregarded when considering a fair valuation of Mr A's car.

Direct Line offered to settle Mr A's claim on the basis that his car was worth £11,812. But this amount is not within the range of Guides 2, 3 and 4, so I don't think it represents a fair value of Mr A's car on the day it was damaged.

I think a fairer way to settle Mr A's complaint would be to assess the value of his car by taking an average of Guides 2, 3 and 4. By my calculations, that would mean Direct Line would need to settle Mr A's claim on the basis that his car was worth £12,338 on the day it was damaged."

I asked the parties to provide me with any further information or evidence they wanted me to consider by 13 December 2023. Direct Line requested copies of the valuations obtained by our investigator. Our investigator emailed both parties on 13 December 2023 to remind them of the deadline. However, no substantive response was received from either Direct Line or Mr A. Neither party requested extra time to respond.

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.

As neither party provided me with any further information or evidence, I see no reason to depart from my provisional findings. So, for the reasons set out above, I uphold this complaint and require Direct Line to put things right.

Putting things right

I require Direct Line to:

- Settle Mr A's claim based on a valuation of £12,338 for his car on the day it was damaged; and
- Pay simple interest on the difference between any initial settlement and the final settlement. The rate of interest will be 8% a year and will need to be paid up to the date the final settlement is paid.

My final decision

I uphold this complaint and require UK Insurance Limited, trading as Direct Line, to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 January 2024.

Nicola Bowes

Ombudsman