

## The complaint

Mrs A is unhappy with the service provided by UKI Limited (UKI Limited) following a claim she made on her car insurance policy.

## What happened

Mrs A took out a car insurance policy with UKI Limited in August 2022. The policy booklet explained in the event of accidental damage UKI Limited would pay the '*market value*'. The definition of '*Market value*' explained '*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.*'

In May 2023 Mrs A's car was involved in an incident. The engineer's report determined that Mrs A's car was a total-loss, and placed a category B on the car. Because of the age, make and model of Mrs A's car, the engineer was unable to find market value information for Mrs A's car in any of the trade guides we'd usually refer to.

The engineer's report recorded the mileage on Mrs A's car was 94,800, the registration year was 1997, and it was a manual car. Mrs A has also explained she has been the only registered keeper of her car. UKI Limited accepted the claim and provided a value of £1,895 (less the policy excess) as the market value for Mrs A's car.

UKI Limited explained this was because it found a car online being advertised for £1,895 broadly matching the make and model and Mrs A's car. This car was the same make and model as Mrs A's, but the mileage on the car was 38,000, the registration year was 1999, and it was an automatic.

Mrs A didn't accept UKI Limited's offer. Mrs A provided evidence from her own online search showing cars of a similar specification, make, and model to her own, on sale for more than what UKI Limited had offered. Mrs A said that there were two cars on sale which matched her own car more closely than the car that UKI Limited had used to base its valuation on.

The cars Mrs A had found included a car that was the same make and model as Mrs A's, but the mileage on the car was 38,850, the registration year was 1998, and it was a manual. This was advertised for £3,450. The second comparison provided by Mrs A was another car of the same make and model as Mrs A's, but the mileage on the car was 39,989, the registration year was 1999, and it was a manual. This was advertised for £3,500.

UKI Limited considered the adverts provided by Mrs A, but didn't change the market value it was willing to offer. UKI Limited did recognise that the service it had provided fell short of its usual standards. This was because its engineer hadn't arranged a suitable time to discuss the valuation of Mrs A's car with her. UKI Limited offered Mrs A £75 in recognition of this poor service, and the impact on Mrs A. Unhappy with UKI Limited's response, Mrs A brought her complaint to this service for investigation.

The investigator found that the service provided by UKI Limited fell short of what we'd expect, but thought the calculation of the market value of Mrs A's car for £1,895 was fair, and the compensation offered for the poor level of service was also reasonable. Mrs A didn't

accept the investigator's findings. Mrs A said UKI Limited hadn't explained why the adverts matching her own car had not been considered. Mrs A also said UKI Limited should pay compensation for the upset caused to her as a result of not dealing with her claim properly.

UKI Limited accepted the investigator's findings. UKI Limited also provided screenshots of two more recent cars advertised online through a classic car website showing advertised prices of £1,200, and £2,850. The car on sale for £1,200 was another car of the same make and model as Mrs A's, but the mileage on the car was 67,000, and the registration year was 1999. The advert didn't specify whether the car was a manual or automatic. The car on sale for £2,850 was also of the same make and model as Mrs A's, but the mileage on the car was 40,000, the registration year was 1998, and it was a manual. UKI Limited has explained '*This along with the original we used give an average price of £1,982. These also have an average mileage of 48,650, nearly half that of the customers vehicle so if anything these further adverts show we over-valued the customer's vehicle.*'

As the complaint couldn't be resolved, it was passed to me for 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.

#### *Market value*

We would usually refer to trade guides to determine complaints about vehicle valuation. Trade guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. We expect insurers to use trade guides (where possible) when valuing a vehicle for claims purposes.

As there are no trade guides to consider, I have instead used the adverts that have been provided when applying our approach of fair and reasonable. And all things considered, I'm satisfied the market valuation offered by UKI Limited is in line with what we recommend in the circumstances. I'll explain why.

Mrs A has referenced two adverts in particular that she says match the specification, make, and model of her own. I've focused my findings on looking at these two adverts when deciding whether the market value offered by UKI Limited is fair and reasonable.

I accept that the adverts show cars similar to Mrs A's. And that they're on sale for more than what UKI Limited has agreed to offer Mrs A. But I'm also mindful that advertised prices are often the starting point of a negotiation, and are what the seller would like to achieve, rather than the final price the car actually sells for. The valuation of a used car is not an exact science and can be challenging. Cars don't always sell for the price advertised once negotiations take place. So the adverts Mrs A has provided are not reflective of the selling price. And Mrs A's policy is designed to offer the market value only.

I accept Mrs A's point about the make and model of the adverts she has found being the same as her own car. But that in itself wouldn't be enough to say that UKI Limited hasn't paid Mrs A a fair valuation. The mileage of Mrs A's car was 94,800 at the time of loss. The examples Mrs A has provided both show cars with substantially less mileage (38,850 and 39,989). I'm satisfied that mileage is a significant contributing factor when determining what a fair and reasonable market value should be based on. Because the mileage of Mrs A's car was more than double the mileage of the cars she had provided adverts for, I can see why UKI Limited didn't increase its offer based on these adverts.

Mrs A feels strongly that UKI Limited's reliance on the advert it has found isn't fair because the mileage on that car is substantially different to the mileage of her own car. I accept that the mileage is different. But because it is substantially lower, I'm satisfied this indicates that UKI Limited's reliance on it is more favourable to Mrs A. It is generally accepted that a car with a higher mileage would likely result in a lower market value. Despite this, UKI Limited offered Mrs A the value equivalent to the price the car was advertised at. I've seen that the more recent adverts provided by UKI Limited also support the mileage of the car having a significant impact on an advertised price, and in turn, the market value of a car.

As it stands, there is no like for like comparison to determine the market value of Mrs A's car. All of the adverts I've seen show cars with substantially lower mileage compared to Mrs A's car. Mrs A feels strongly that because the mileage on the car relied on by UKI Limited was significantly lower than the mileage on her car, and was still considered a comparable car, the same rationale should be applied to the adverts she has provided. But I don't agree that this supports asking UKI Limited to increase its offer. When thinking about the impact of high mileage on a car like Mrs A's, I'm persuaded it would significantly reduce the market value of Mrs A's car. So using the adverts Mrs A has provided as a comparison, the market value of Mrs A's car would likely be substantially less than what these adverts show, based on the mileage of Mrs A's car being more than double of the cars she has provided adverts for.

All things considered, I'm satisfied what UKI Limited has offered is broadly fair and reasonable, and in line with our approach. So I won't be asking it to increase its offer.

#### *Customer service*

I've considered what Mrs A has explained about an engineer contacting her without prior notification. And I agree that this would've caused frustration, as she wasn't expecting this call. But I'm persuaded the impact of this was short-lived. Mrs A was provided with the opportunity to challenge the engineer's valuation soon after (which she did). I think what UKI Limited has offered in recognition of its poor service, and the impact on Mrs A is reasonable. So I won't be recommending UKI Limited do anything more in settlement of this complaint.

#### **My final decision**

My final decision is that the offer made by UKI Limited to settle Mrs A's complaint is fair and reasonable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 21 February 2024.

Neeta Karelia  
**Ombudsman**