

The complaint

Mr H is unhappy with the service provided by Aviva Insurance Plc (Aviva) following a claim he made on his car insurance policy.

What happened

Mr H took out a car insurance policy with Aviva in February 2022. The policy booklet explained in the event of a claim Aviva would pay the *'market value of your vehicle.'* The definition of *'Market value'* explained *'The cost of replacing your vehicle with one of the same make, model and specification, and condition. The market value may also be affected by other factors such as mileage, MOT status (if one is required) how you purchase your vehicle and whether it has previously been declared a total loss.'*

In June 2002 a fire occurred in the boot of Mr H's car. The engineer's report determined that Mr H's car was a total-loss, and provided a value of £22,500 as the market value for Mr H's car. This was determined by using the highest value returned from the three trade guides it had considered (£19,070), and £3,364 which represented the depreciated value of optional extra's included in Mr H's car. Aviva offered Mr H a total of £22,500 in settlement of his claim. Mr H was unhappy with this amount and complained to Aviva.

In response to Mr H's complaint Aviva said the valuation it had offered had been calculated fairly so didn't increase its offer. Aviva did acknowledge the upset and inconvenience caused by its handling of the claim, including delays, and paid Mr H a total of £150 compensation in recognition of this. Aviva also paid an additional £92.03 representing interest to reflect the period of delay when Mr H was without payment for the total loss of his car.

Mr H didn't accept Aviva's offer to put things right, and brought his complaint to this service for investigation. He was unhappy with the market value offered by Aviva, saying *'my market value assessment was an average value of £28,455 to replace the vehicle based on multiple similar vehicles in the market-place - with costs driven by post Covid vehicle shortage and high demand for second-hand vehicles.'*

The investigator found that the service provided by Aviva fell short of what we'd expect, but thought the calculation of the market value of Mr H's car for £22,500 was fair, and the compensation offered for the poor level of service was also reasonable. Mr H didn't agree, saying that (amongst other things) *'... You have not even mentioned and taken account of the valuation of the M Performance upgrades which reflecting on the same statement above, amends the specification.'* 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.

We can only ask Aviva to do more to put things right if we find that it has done something wrong, and not done enough to put things right. So I've looked at the trade guides that we would usually refer to when dealing with complaints about market valuation. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.

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 when valuing a car for claims purposes. Based on the circumstances of Mr H's complaint, I think it's fair that Aviva used the trade guides here.

I've seen Aviva has provided details of the trade values returned from three trade guides- the highest being Glass's for £19,070. The engineer's report detailed the optional extra's that had been included when calculating a fair market value for Mr H's car. Because of these optional extra's, an additional £3,364 was added to the valuation received from Glass's. So Aviva offered Mr H a total of £22,500 in settlement of his claim.

I've also checked a fourth trade guide which is commonly used when considering motor valuation claims. The value returned from this trade guide isn't materially different to the value offered by Aviva. I've carefully considered Mr H's comments about the market value of his car being impacted by '*the M Performance upgrades*', and other distinctive features. I've seen that the engineer's report did include a valuation for the optional extra's that were considered to have an impact on the market value of Mr H's car. And this included the '*the M Performance upgrades*' Mr H has referenced.

I appreciate Mr H feels strongly that all of the optional extra's on his car materially impact the market value, and so should be considered. I don't doubt these features would've added to the driving experience for Mr H. I've reviewed these features against the information provided by the trade guides. But I'm not persuaded that all of the features make a material difference for the purposes of adding value in the event of the car being a total loss. This is supported by the trade guides I've seen, and the engineer's independent opinion.

I've also checked our own guides which can provide a bespoke valuation based on the optional extras Mr H's car benefitted from. But the results of this didn't indicate that Mr H should be offered more for the optional extra's that he has explained. I'm satisfied that the additional amount offered by Aviva is fair and reasonable- keeping in mind the evidence returned from the trade guides, and the value of accessories depreciating over time.

I've considered the adverts provided by Mr H in support of his claim. The adverts show cars broadly similar to Mrs H's- but none that match the exact make, model, and specification of Mr H's. The valuation of a used car is not an exact science and can be challenging. I'm 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.

I've seen that the adverts provided by Mr H show cars with a different specification to Mr H's. The differences vary by year of registration, mileage, and optional extra's. I'm satisfied all of these would make a difference to the market value- albeit to a varying degree. But thinking about the market value offered by Aviva, against the adverts Mr H has provided, I'm satisfied Aviva's offer is fair and reasonable, and in line with our approach.

Based on Mr H's policy terms, the values returned from the trade guides, and the evidence I've seen, I'm satisfied Aviva's decision on the valuation for Mr H's car is fair. So I won't be asking Aviva to reconsider this.

My final decision

My final decision is that the offer to settle the complaint by Aviva is fair and reasonable. So I won't be directing Aviva to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 February 2024.

Neeta Karelia
Ombudsman