

The complaint

Mr T complains about Tesco Underwriting Limited's valuation of his car following a claim on his car insurance policy.

What happened

Mr T's car was written off by Tesco following an accident. Tesco valued Mr T's car at £4,675. This included £291 being deducted for non-accident related, pre-existing damage. Mr T complained to Tesco as he was unhappy with the settlement offer. Mr T said that he'd paid £6,500 for the car when he bought it. Tesco responded and informed Mr T that his policy covered him for the market value of the car, taking into account the condition of the car. They said that they used the average of three motor trade guides to come to their valuation and made a deduction for pre-existing damage. Mr T was still unhappy and so brought the complaint to our service.

Our investigator looked into things for Mr T. She thought Tesco hadn't offered a fair settlement and recommend they increase the valuation to £5,268. She thought it was fair for Tesco to deduct £291 for pre-existing damage giving a market value of £4,977.

Tesco didn't agree with the investigator's outcome. They also thought the adverts they'd provided were valid and shouldn't be disregarded as had been suggested by the investigator as they weren't for previously written off vehicles. Mr T said that he was owed £700 and not the additional £302 as set out in the investigator's outcome. He also felt the pre-existing damage deduction was being taken twice. As neither party agreed with the investigator's outcome, the complaint has been passed to me to decide.

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.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly. So, I've thought about whether Tesco acted in line with these requirements when it settled Mr T's claim as they did.

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

Mr T's policy document sets out what he's covered for in the event of an accident. The terms set out the maximum Tesco will pay in the event of a claim is the market value of the car.

The policy defines market value as:

*'The cost of replacing **the car** with one of similar age, type, specification, mileage and condition, immediately before the loss or damage happened'*

As a service, to assess whether a reasonable offer has been made, we obtain valuations from four motor trade guides. These are used for valuing second-hand vehicles. We find

these guides to be particularly persuasive. This is because their valuations are based on nationwide research of likely selling prices. The guides take into account the exact vehicle variant and mileage for the date of loss.

Tesco used three trade guides, Glass's (£4,880), CAP (£5,095) and Autotrader (£4,923). Tesco used an average of the three guides as a starting point for their valuation (£4,966). Tesco has then made a deduction of £291 for pre-existing damage to the car. They've said there is damage to the rear bumper lining, rear offside quarter panel and both near side doors. Tesco has said that the deduction has been calculated from 50% of the repair cost of the pre-existing damage. This gave a final market value offer, before excess deduction, of £4,675.

Our investigator also attained a valuation from Percayso (£5,268).

As a service, we think insurers should base their settlement offer in line with the highest available guide unless there is sufficient evidence to persuade us otherwise. Tesco has provided three adverts to support their initial valuation. The trade guides are experts in this area and use a lot of information when coming to their valuation figures. Mr T's car is a very common make and model. Looking at an online car retailer's website, there are currently 16 cars for sale with a similar mileage to Mr T's. Whilst the adverts provided by Tesco support their valuation, the three adverts aren't enough to persuade me that following our current approach isn't fair and reasonable in this instance.

Mr T hasn't disputed there was pre-existing damage to his car. Tesco has provided their engineer's report which confirms there is damage and his suggested deduction to the market value as a result. I don't think it's unreasonable for £291 to be deducted from the market value for this damage. I think that £4,977 is a fair market value for Mr T's car.

In response to our investigator's outcome, Mr T believes he should be paid around £700 instead of the £302 suggested. Mr T has already been paid £4,325 by Tesco. My recommendation for the market value, including the pre-existing damage deduction is £4,977. In line with his policy terms and conditions, Mr T is required to pay a £350 excess in the event of a claim. This is being taken from the claim settlement, which means Mr T's total settlement payment is £4,627. The difference between this and what Mr T has already received (£4,325) is £302.

Mr T also felt that the pre-existing damage deduction has been taken twice. This isn't the case as can be seen above.

Putting things right

Tesco should pay Mr T the difference between their valuation of £4,675 and a valuation of £4,977. Tesco should also add 8% simple interest* per year on the additional settlement amount from the date they paid their settlement amount to the date the additional amount is paid.

* If Tesco considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr T how much it has taken off. It should also give Mr T 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 the complaint. Tesco Underwriting Limited must take the steps in accordance with what I've said under "putting things right" above, if they haven't

done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 8 May 2024.

Anthony Mullins
Ombudsman