

## **The complaint**

Miss U has complained about the amount Advantage Insurance Company Limited has paid in settlement of her claim under her car insurance policy. And about the way Advantage handled her claim.

Advantage is the underwriter (insurer) of this policy. Much of this complaint concerns the actions of its agent. As Advantage accepts it is accountable for the actions of its agent, in my decision, any reference to Advantage should be interpreted as also covering the actions of its agent.

## **What happened**

Miss U's car was damaged in an accident. Advantage decided it was a total loss (write-off). It based its first offer in settlement on the claim on a valuation of Miss U's car of £9,248. Miss U wasn't happy with this and Advantage increased its valuation to £10,578. Miss U still wasn't happy and complained about this and Advantage's handling of the claim. In its final response Advantage said it would pay Miss U £100 for some poor service in handling her claim. And it increased its valuation again to £10,818.33.

Miss U still wasn't happy and asked us to consider her complaint. Our investigator did this and said Advantage should increase its valuation to £11,974, which allowed for a £200 deduction for some pre-existing damage to Miss U's car. The investigator also said the £100 for the poor service provided by Advantage was fair.

Advantage doesn't agree with the investigator's view and has asked for an ombudsman's decision. It thinks it has provided sufficient evidence to show its most recent valuation is fair.

Miss U said she had no further comments on the valuation, but would like the ombudsman to consider whether the compensation for distress and inconvenience is enough.

## **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.

Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must handle claims fairly and shouldn't unreasonably reject a claim. I've taken these rules, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of Miss U's complaint.

Having done so, I agree with our investigator's most recent view on Miss U's complaint that Advantage should use a market value of £11,974 to settle her claim. And that the £100 Advantage has already paid in compensation for the poor service it provided is fair. I'll explain why.

- As Miss U's car has been classed as a total loss (write-off) Advantage must base its settlement on the 'Market Value' of her car as defined in her policy. This is defined in the policy as the cost of replacing her car with one of the same make, model age and condition at the time it was damaged.
- Our approach is to look at the market values provided by the industry motor valuation guides. So we can be sure the insurer's valuation is fair, we expect it to be in line with the highest value provided from these guides. The only exception to this is if the insurer can provide evidence to show that a value lower than this is fair and reasonable. The evidence will usually be adverts that show the vast majority of similar vehicles for sale at the time of the loss were advertised at and likely to have sold for less than the highest guide value.
- For Miss U's car the highest guide value is £12,174. And I agree there needs to be a deduction from this of £200 to allow for the fact Miss U's car had some pre-accident damage. This means – in effect – the highest guide value is £11,974, as suggested by our investigator. And I have not seen sufficient evidence from Advantage to show that this figure is wrong. It has provided adverts, but the vast majority of these are recent and do not show the majority of similar vehicles were being advertised and likely to be sold at a figure lower than £11,974 at the time Miss U's car was damaged.
- According to its final response letter Advantage has already paid a total of £10,818.33, less any policy excess, in settlement of Miss U's claim. Part of this has gone to the company that provided the finance for her car and part of this has gone to Miss U.
- This means that I consider the fair and reasonable outcome to Miss U's complaint is for Advantage to pay Miss U the difference between £11,974 and £10,818.33, i.e. £1,155.67 in settlement of her claim.
- As Miss U has been without these funds Advantage should also pay interest on the extra amount due at 8% per annum simple from one week after it made its first offer to Miss U to the date of payment. This is because if it had offered the right amount in the first place, Miss U would have accepted it and received the correct amount around a week after this, allowing time for Advantage to process the payment.
- I've noted what Miss U has said about distress and inconvenience. But I can only compensate her for the distress and inconvenience caused by Advantage's totally inappropriate initial offer, which was based on a valuation it knew was less than the lowest industry guide by quite a large amount. And I'm satisfied that the £100 in compensation Advantage has already paid Miss U for this is fair.

### **Putting things right**

For the reasons set out above, I've decided to uphold Miss U's complaint and order Advantage to pay her a further £1,155.67 in settlement of her claim. It must also pay interest on this amount at 8% per annum simple from one week after it made its first offer to Miss U to the date of payment.

### **My final decision**

I uphold Miss U's complaint and order Advantage Insurance Company Limited to do what I have set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss U to accept or reject my decision before 29 February 2024.

Robert Short  
**Ombudsman**