

The complaint

Mr R complains about delays in Ageas Insurance Limited's (Ageas) handling of his claim and the settlement payment it offered for the total loss of his vehicle, under his motor insurance policy.

What happened

Mr R was involved in an accident in March 2023 where another driver collided with the rear of his vehicle. He contacted Ageas in April to pursue a claim under his insurance policy. Mr R says the settlement payment he was offered was well below the market value. He says it didn't consider the modifications to his vehicle, or the rare paint. Mr R says it took a long time to provide revised offers and these were still too low.

In its complaint response dated 31 May 2023 Ageas says it made a mistake regarding a quotation for the interior rebuild of Mr R's vehicle. This caused a delay in the claim. In addition, it acknowledged an email was sent instead of a phone call to discuss the total loss decision. Ageas says it could've instructed its approved repairer sooner to assess the damage. Because of these failings it offered £200 compensation.

Mr R didn't think Ageas had treated him fairly and referred the matter to our service. Ageas subsequently issued a further complaint response in August 2023 dealing with the valuation dispute. It was agreed that all Mr R's complaint issues would be dealt with under this complaint reference.

Our investigator upheld Mr R's complaint. He proposed an average of three trade guide valuations for Mr R's vehicle as a fair way to establish its market value. He also says the deduction Ageas had made for pre-accident damage was inaccurate, which it should refund with interest. But he thought the £200 compensation offer was fair in relation to delays in Ageas's claim handling and service.

Mr R didn't agree with this outcome and asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

I issued a provisional decision in January 2023 explaining that I was intending to uphold Mr R's complaint. Here's what I said:

provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so my intention is to uphold Mr R's complaint. Let me explain.

Mr R wants the best offer he can get following the total loss of his vehicle, which is understandable. His policy terms say the policy provides the market value in the case of a total loss. This is defined in Mr R's policy booklet as:

“Market Value – The cost of replacing your car with another of the same make, specification (for example, the level of equipment found in your car), model, age, mileage and condition as your car was just before the loss or damage you are claiming for.”

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

Mr R has provided adverts showing similar vehicles for sale. These vary in price, age, and mileage. The prices range from around £27,500 up to around £36,000.

Generally speaking, we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that we find the trade guides more persuasive as they provide evidence of likely retail selling prices.

Valuing second-hand vehicles isn't an exact science so I'd expect there to be a range of values where different trade guides are used. I can see Ageas based its settlement offer on two trade guide valuations. These were for £18,265 and £19,024. It factored in £3,411.85 for the modifications to the vehicle and deducted £3,804.80 with respect to pre-existing damage. The final settlement it offered was £22,828.80 when including VAT.

We were able to obtain a valuation from one more of the trade guides. At the date of Mr R's loss this guide valued his vehicle at £23,850.

Having considered the trade guide valuations, along with the remaining evidence, I'm more persuaded that Ageas should base its settlement payment on the higher figure from these valuations. The indication from the advertisements provided is that Mr R's vehicle should be positioned at the high end of this valuation range.

I've read the evidence Ageas considered when calculating the value of the modifications to Mr R's vehicle. Its engineer took an average of the costs Mr R had demonstrated. This resulted in the figure of £3,411.85 for the modifications. I don't think this was unreasonable. I've also seen the report showing the repair costs for the pre-existing damage. This is for £7,212.76. Ageas says it has reduced these costs by 50% when factoring this into the settlement payment. This is the approach our service considers fair in these circumstances. I note Mr R has obtained a quote to repair this damage more cheaply. But Ageas has clearly evidenced the cost of the repairs and followed the approach we consider reasonable by reducing this by 50%. As discussed, I think this is fair.

That said 50% of £7,212.76 comes to £3,606.36 not £3,804.80 as stated in Ageas's complaint response. It should ensure it uses the correct figures when paying the revised settlement payment to Mr R. It should also pay 8% simple interest on any unpaid part of the final settlement payment. This should be calculated from the date the settlement was originally offered until this payment is made.

I've thought about Mr R's comments that Ageas was inefficient and slow when dealing with his claim. It's reasonable that the business had the opportunity to validate Mr R's loss claim. It acknowledges there were some delays that could've been avoided. Particularly when instructing its appointed repairer to assess the cost of the repairs. But I think its offer for

£200 compensation in respect of the delays is fair.

I said I was intending to uphold Mr R's complaint and Ageas should base Mr R's settlement payment on the valuation of £23,655.47 plus 8% simple interest.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr R didn't provide any further comments or information for me to consider.

Ageas responded to ask whether VAT should be added to the valuation figure.

I responded to confirm that the settlement payment will need VAT adding to it. As Ageas confirmed in its claim response, Mr R isn't a VAT registered business so it's correct that VAT is added to the settlement payment. This is because he will pay VAT when purchasing a replacement vehicle. This information was also communicated to Mr R.

Neither party provided any further comments for me to consider following confirmation of this point.

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 has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint. Ageas Insurance Limited should:

- settle Mr R's claim based on a valuation for his vehicle of £23,850. It can adjust this figure to account for the modifications valued at £3,411.85 and the pre-accident damage valued at £3,606.38. The adjusted settlement payment payable to Mr R is £23,655.47 plus VAT. 8% simple interest should be added to any unpaid part from the date a settlement was first offered until this payment is made.

*If Ageas considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr R how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 February 2024.

Mike Waldron
Ombudsman