

The complaint

Mr T has complained about U K Insurance Limited (UKI). He isn't happy about the valuation of his car after it was deemed a total loss following a claim under his motor insurance policy and about the way it dealt with his claim.

What happened

Mr T made a claim under his motor insurance policy and his car was deemed a total loss. When UKI looked to settle the claim Mr T wasn't happy with the valuation of his car and the way it dealt with the claim.

UKI looked to value Mr T's car after it was written off by looking at three of the various trade valuation guides in order to gauge the market value of his car. It offered Mr T £5,841 which was the average of the three guides it looked at (£5,750, £5,630, and £6,142) and below the highest guide price it found. When Mr T complained to UKI about this it maintained its position that its offer of £5,841 was a fair market value. But it did acknowledge its poor service and offered £325 (total) by way of compensation for this.

Our Investigator looked into things for Mr T and eventually upheld his complaint. He looked at four of the motor trade valuation guides available for Mr T's car from around the time of claim and thought the fairest thing to do in this instance was to pay Mr T the highest of the trade guide valuations he found (£6,628). This was because he didn't think UKI had provided sufficient evidence to show that a lesser valuation was fair. And, although he accepted that its service was poor he thought UKI's offer of £325 (total) compensation for this was fair.

Mr T accepted the Investigators position but UKI didn't, so the matter 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.

Having done so, I agree that this complaint should be upheld. I'll explain why.

This Service has an approach to valuation cases like Mr T's which has evolved in recent times. When looking at the valuation placed on a car by an insurance company I consider the approach they have adopted. And decide whether the valuation is fair in all the circumstances.

It isn't the role of this Service to come to an exact valuation of a consumer's car. But we do look to see if insurers have acted reasonably in looking to offer a fair market value of the car in line with the policy terms and conditions. I pay attention to the various trade valuation guides used for valuing cars. And I look at any other evidence provided by both sides, such as advertisements or details about the condition of the car.

Valuing second-hand cars is far from an exact science and it isn't my role to value Mr T's car. I'm just looking to see if UKI has acted reasonably in providing a fair market value of his car and, overall, I think its valuation wasn't fair.

Ultimately, the policy requires UKI to compensate Mr T, the policyholder, for the market value of his car. The policy defines market value as '*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 assessing what constitutes a fair value we generally expect insurers to review relevant guides to motor valuations – which is also our starting point for most valuation complaints. And I've looked at the available guides to assess whether UKI's offer is fair and reasonable. I have reviewed four guides, which gave values of £5,630, £5,750, £6,142, and £6,628.

Looking at the valuations produced by the guides, I'm not persuaded that UKI's offer of £5,841 is fair. This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. UKI's offer sits towards the middle or lower values produced by these guides and two are higher, but it hasn't shown why its offer is fair, or that Mr T can replace his car with a similar one for the amount offered.

In these circumstances, to be satisfied UKI's offer represents a fair valuation, I'd expect to have been provided with other evidence (for example, adverts for cars for sale around the time of the loss or expert reports) to support that a lower valuation point is appropriate. I'd need to be satisfied that this evidence is relevant and persuasive before accepting that a lower valuation should be used.

In this instance UKI has only produced one advert for around £6,000 which I wouldn't generally find persuasive on its own - and is higher than UKI's offer in any case. And it clearly outlines within the advert that the advertised price is about £500 below market value, which suggests that the value of a car like Mr T's is £6,500 which is generally in line with the highest of the valuation guides (£6,628).

Plus, I've seen some evidence from Mr T in the form of an advert for a similar car to his which supports his position. And one of the valuation guides shows the sale of two vehicle's, similar to Mr T's, that sold above the highest guide price, so it is difficult to be persuaded by the one advert UKI has provided in support of its position.

As UKI haven't provided any other evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate, and to avoid any detriment to Mr T, the highest valuation produced by the guides is my starting point. So, considering the overall variation of values produced, and the lack of other evidence provided, I consider that a more appropriate fair market valuation would be £6,628. And UKI should pay 8% simple interest for the time Mr T has been without the shortfall as he has been without the money owed.

Finally, I don't propose to go over the detail of Mr T's further complaint points around the poor service he received in relation to the transfer of the total loss payment into his account, access to a courtesy car and its poor communication amongst other things. I say this as UKI awarded £325 (total) in compensation in acknowledgement of its failings here and allowed a courtesy car for longer than the policy entitlement and I think that is fair.

My final decision

It follows, for the reasons given above, that I uphold this complaint. I require U K Insurance Limited to pay Mr T £6,628 as the market value of his car and 8% simple interest on any shortfall from the date of the interim payment until the date of settlement. Plus, the £325 compensation it already offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 March 2024.

Colin Keegan
Ombudsman