

The complaint

Mr E complains about the amount U K Insurance Limited trading as Churchill Insurance (UKI) paid him following a claim on his motor insurance policy.

Reference to UKI includes its agents.

What happened

Mr E holds a motor insurance policy with UKI. When his car was involved in an accident, he made a claim for the damage.

UKI accepted the claim. It thought it wasn't economical to repair and deemed it what is known as a total loss/write off. and gave him a settlement offer of £2,999. It said this represented the market value of Mr E's car at the time of the accident – and the most it was required to pay for his claim.

Mr E didn't think the settlement was fair and complained. He said he couldn't replace his car for a similar one for the amount UKI had offered him.

UKI maintained its offer was fair. It said it had used industry recognised valuation guides to help determine the market value of Mr E's car as £3,373. It then added £140 to this value when taking into account the alloy wheels and sound system, before deducting £514 for pre-existing damage.

Mr E remained unhappy and brought his complaint here. One of our Investigators recommended it be upheld. She thought a fairer starting point would be to value Mr E's car at £3,550, in line with the highest available guide figure. She thought the increase in value for the alloys and sound system was fair. And thought the deduction for pre-existing damage was fair too. So, she recommended UKI pay Mr E an additional £177.

Neither UKI nor Mr E agreed so the case has come to me. UKI maintains its offer is fair, and Mr E maintains it's not enough to allow him to purchase a replacement vehicle.

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'm upholding it, I'll explain why.

- UKI says in its policy that the most it will pay for any claim is the market value of Mr E's vehicle. It 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."*
- Determining the market value of a car isn't an exact science. As a *starting point*, we use, where available, four industry recognised valuation guides to value Mr E's car.

These valuation guides have different ways of calculating the market value of a vehicle, and so by using all of them, we think this gives the best picture of the value of Mr E's car.

- Here, all four guides returned a value. Those values were £3,195, £3,382, £3,409, and £3,550. The range between the guides is £350, and so just over 10%. While the guides are reasonably close together in terms of monetary amount, the 10% range is still significant.
- UKI's starting point (before any additions or deductions) sits between the two lowest guides. It's not provided any further evidence to support why this valuation is fair, so I'm not persuaded it is. This is because I'm not persuaded Mr E will be able to replace his car with the amount UKI offered at the lower range of the guides. Therefore, without any other supporting evidence in this case, I'm satisfied the fairest starting point for the valuation of Mr E's car is the highest of the available guides - £3,550. By using the highest of the available guides as a starting point, this gives Mr E the best chance of replacing his vehicle with "*...another of the same make and model, and of a similar age and condition at the time of the accident or loss*".
- Were adverts provided, showing Mr E could replace his vehicle with "*...another of the same make and model, and of a similar age and condition at the time of the accident or loss...*" for the starting point UKI used when valuing his car, I might have been persuaded its offer was fair. But here, nothing more was provided.
- I'm satisfied the £140 added to the value of his car for the alloy wheels and sound system is fair and reasonable. UKI feels this adds to the value, so I'm not interfering with that decision. I've not been provided anything to show these additions should have increased the market value of Mr E's car by any more than this.
- I'm also satisfied the deduction for pre-existing damage is fair and reasonable in this case. Usually, we'd require the insurer to evidence how much it would cost to fix this damage, and then deduct no more than half this from the market value. Here, I've not been provided with that. But I have been sent a list of the six separate repairs that need to be done – including two different wheels, the front and rear bumpers and two separate doors - and an engineer's opinion on what effect this would have on the market value of Mr E's car. Based on this, I'm persuaded the deduction is reasonable in this case, because I think it more likely than not would have cost double the £514 UKI has deducted to fix all these issues.

Putting things right

UKI should pay Mr E an additional £177 – the difference between its starting point of £3,373 and the highest guides value of £3,550. I appreciate this may seem a small amount to UKI, but it's not an insignificant amount to any consumer. UKI doesn't think its starting point is at the lower end of the guides, but it is lower than three of the four guides, as well as being below the mean and the median of all four. And it's some distance (almost 5%) from the highest of the guides. And as explained above, I've not seen anything to persuade me that a settlement lower than the highest guide price is fair here. 8% interest should be added to this payment to. Interest should be calculated from the date UKI paid Mr E to settle his claim, to the point it makes this additional payment.

I'm not recommending an award for distress and inconvenience in this case. I'm minded that the increase in settlement offer is still some distance under what Mr E wants to settle the claim. So, had UKI offered what I consider a fair offer from the start, I don't think it likely Mr E would be any less distressed or inconvenienced.

My final decision

For the reasons set out above, I uphold this complaint. I require U K Insurance Limited trading as Churchill Insurance to:

- Pay Mr E and additional £177 to settle his claim. 8% interest should be added to this payment to. Interest should be calculated from the date UKI paid Mr E to settle his claim, to the point it makes this additional payment to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 15 March 2024.

Joe Thornley
Ombudsman