

The complaint

Mr M complains esure Insurance Limited (esure) unfairly settled his claim after his car was classed as a total loss.

What happened

Mr M made a claim on his motor insurance policy after his car was damaged in an incident.

The car had extensive damage and was deemed uneconomical to repair. It was therefore classed as a total loss. esure made Mr M a settlement offer of £49,300 less the policy excess.

Mr M was not happy with the settlement amount. He felt the offer was low and his research had found cars with a similar specification and age were more than esure's settlement offer.

Because Mr M was not happy with esure, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said esure should increase its settlement offer to £55,491 which was the highest of the four valuations they had obtained. They said 8% simple interest should also be added to the difference in the two values from the date the initial settlement amount was paid to the date of final settlement.

As esure is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

In this case I have considered whether esure acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr M following the write-off of his car.

My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use trade guides to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor trade guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

I looked at the information esure used when calculating the market value for Mr M's car. I saw it obtained valuations from three of the main trade guides. In this case esure offered £49,300. esure said the valuations ranged from £44,055 to £54,895 and it had taken an average of the three guides to reach its valuation in this case.

I looked at the valuations our investigator obtained. They used four of the main trade guides. The highest of these four valuations was £55,491.

Prices of used cars can change on a regular basis. This could be an increase or decrease. This is the reason why we take the approach that if esure can demonstrate, that it used a fair process to value the car then we wouldn't interfere with the offer it has made.

Based on the valuations our investigator obtained, I do not think the settlement amount paid for Mr M's car is fair in this case, because it is the average of its valuations. We would usually expect an insurer to pay the highest of the guides unless there is evidence provided that supports a lower valuation. The trade valuations have shown a range of values and I think going by the highest will ensure Mr M has received a fair offer, allowing him to replace his car with one of a similar make, model and specification.

I saw esure also provided a list of similar cars that were advertised for sale. The range of advertised sales prices ranged from £53,450 to £61,000. I am satisfied the highest trade valuation obtained is in line with the list of advertised sales prices and it is a fair market value settlement offer.

Therefore, I uphold Mr M's complaint and require esure to increase its settlement offer to the highest valuation of £55,491. It should also add 8% simple interest on the difference from the date the initial settlement amount was paid to the date of final settlement.

My final decision

For the reasons I have given I uphold this complaint.

I require esure Insurance Limited to increase the settlement offer for Mr M's car to £55,491. This means an amount of £6,191 should be paid. It should pay 8% simple interest on this amount from the date the initial settlement was paid to the date of final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 August 2024.

Sally-Ann Harding
Ombudsman