

The complaint

Mr and Mrs J complain about how Advantage Insurance Company Limited handled the claim made on Mrs J's motor insurance policy and the market value applied to the car.

Mrs J is the policy holder and Mr J is a named driver on the policy. Mrs J will be referred to throughout this decision.

What happened

In August 2023, Mrs J's car was damaged in accident. Mrs J claimed on her car insurance policy with Advantage.

Ultimately, Advantage said her car would be deemed a 'total loss' after more damage was discovered when it was stripped down for repairs. Advantage valued Mrs J's car using three motor valuation guides (£7,305, £8,014 and £8,120) and offered Mrs J £8,120.

Mrs J didn't think this was enough to replace her car with a similar vehicle and complained. Advantage reviewed the complaint but didn't change its offer, so Mrs J referred her complaint to this Service for an independent review. She explained the impact of this matter and inconvenience caused.

An Investigator reviewed the complaint and found the further two valuation guides we use produced valuations which were higher than Advantage's (£8,364 and £9,069). Because of this, they recommended Advantage pay the highest value produced by the valuation guides of £9,069 plus interest. The Investigator also asked Advantage to pay £150 to Mrs J for the distress and inconvenience caused as a result.

Advantage didn't agree and asked for an Ombudsman's decision. It said the highest valuation was significantly more than any other and the advert evidence supports Mrs J being able to buy a car for less than the value produced by the top guide. Therefore, it offered to pay the average of the top three guides plus interest. As Advantage didn't agree with the Investigators recommendation the complaint has come 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'm upholding this complaint. I'll explain why.

It's my role is to decide whether Advantage has applied the policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on what I've seen, I don't think it has.

Where a car has been written off because of an accident, it's usual for the insurer to pay the consumer the market value of the car immediately before the accident. This is what Mrs J's policy provides. It defines the market value as follows:

'The cost of replacing your Car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition. This may not necessarily be the value you declared when the insurance was taken out. Your Insurer may use publications such as Glass's Guide to assess the Market Value and will make any necessary allowances for the mileage and condition of your Car and the circumstances in which you bought it.'

This means Advantage will pay the value of the car immediately before the accident which, here, it determined to be £8,120.

We use two of the same industry recognised valuation guides as Advantage – in addition to two others - to help decide if a settlement offer is fair when valuing second-hand vehicles. Determining the market value of a car isn't an exact science but, by using all four guides, we're satisfied this gives the best picture of the value of a consumer's vehicle.

Having looked at these guides for Mrs J's car, I can see all four guides gave a value (£8,014, £8,120, £8,364 and £9,069).

The valuation offered by Advantage is lower than the amount the Investigator has suggested it should pay, which is based on the value provided by the highest guide. In this situation, Advantage must show its offer represents a fair valuation at the time of loss. I'm not persuaded it has. Advantage's offer sits at the lower end of the range, it's under the average and it's less than two of the valuations provided by the guides. Advantage sent this service adverts for similar cars which range from £8,417 to £9,500 – a range with a starting point which is nearly £300 higher than the offer it made to Mrs J. Further, I note the cars most similar to Mrs J's are sitting at the top end of this range. So, I don't find this persuasive evidence the offer it made to Mrs J was a fair reflection of market value at the date of loss.

Therefore, I've considered all the evidence provided – including the guides obtained by our service and Advantage as well as numerous adverts. Having done so, I find the Investigator's recommendation to be one which is fair and reasonable in all the circumstances. By using the highest of the available guides as a starting point, I'm satisfied Mrs J is being given the best chance of replacing her vehicle with '*one of the same make, model, age and condition*' in accordance with the policy terms. As a result, Advantage now needs to put things right by taking the steps outlined below.

The Investigator recommended compensation be paid for the impact of Advantage's inadequate offer on Mrs J and distress and inconvenience it caused. I consider the recommended compensation of £150 to be a fair and reasonable way for it to put things right in all the circumstances. I say this particularly noting the obligations placed on Advantage under ICOBS 8.1 and industry guidance.

Putting things right

To settle the complaint in this matter, Advantage Insurance Company Limited will need to do the following.

1. Pay £949 to Mrs J, that is, the difference between the market value determined in this matter (£9,069) and amount paid by Advantage (£8,120).
2. Pay 8% simple interest* on £949 from the date 30 days after Mrs J's claim was made up to the date of actual payment.
3. Pay £150 compensation to Mrs J.

*If Advantage Insurance Company Limited considers it's required by HM Revenue &

Customs to take off income tax from that interest it should tell Mrs J how much it's taken off. It should also give Mrs J a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons set out above, my final decision is to uphold this complaint against Advantage Insurance Company Limited. It now needs to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs J to accept or reject my decision before 17 April 2024.

Rebecca Ellis
Ombudsman