

The complaint

Mr I complains about the settlement Haven Insurance Company Limited (Haven) offered for the total loss of his car, under his motor insurance policy.

What happened

Mr I's car was damaged in a fire. He made a claim to Haven. It told him his car was a total loss and offered him a settlement payment. Mr I wasn't satisfied with its settlement offer and complained.

In its final complaint response Haven increased its settlement offer to £9,247 less Mr I's £1,500 policy excess. It later changed its mind and offered him the lower amount of £5,710 less his policy excess.

Mr I didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He didn't think Haven had based its settlement on a fair valuation of Mr I's car. He says Haven should make an additional payment to Mr I based on a higher valuation he'd obtained from an industry trade guide for £8,379. He says 8% simple interest should be added to this.

Mr I accepted our investigator's findings. Haven didn't. It provided adverts showing similar cars for sale at a lower price and referred to the lower valuations it had obtained. Our investigator didn't change his view. As an agreement wasn't reached 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'm upholding Mr I's complaint. Let me explain.

Mr I wants the best offer he can get following the total loss of his car due to the fire damage. I think this is understandable. I've considered whether Haven treated him fairly when offering the settlement payment it did.

Mr I's policy provides the market value in the case of a total loss. This is defined in his policy booklet as:

"The cost of replacing Your Car with one of similar make, model, and specification, considering the age, mileage and condition of Your Car. To determine the Market Value, We will typically request the advice of an engineer and refer to guides and any other relevant sources."

Our service doesn'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.

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. Haven obtained valuations from two of the guides. The highest of these was for £6,850.

Our investigator requested valuations from two more trade guides. One of which couldn't provide a valuation due to the age of Mr I's car. The other gave a valuation of £8,379. I've checked that the information used in the valuations is correct for Mr I's car. I'm satisfied that they are.

The approach our service uses in these circumstances is to apply the highest of the market valuations from the available trade guides. This is unless there's persuasive evidence that demonstrates a lower valuation should be used.

I've looked at the information Haven supplied, which shows four similar cars for sale. Its engineer discounted one of the cars as being below the market average. I think this is fair. Of the remaining three, all are registered around the same time as Mr I's car. However, they all show significantly higher mileage. Based on this evidence I'm not persuaded that a lower valuation should be used. Haven should base its settlement payment on the higher valuation which is for £8,379. It should also pay 8% simple interest on any unpaid amount from the date a settlement was first offered until this is paid in full.

I note Mr I's view that Haven should pay for the loss of the audio equipment he had installed in his car. He says this is covered under, "*Car accessories up to a total value of £1,000*". I've thought about whether a further payment should be made in relation to this. But I don't think it should. The records show the audio equipment had been removed from the car prior to the salvage agent taking ownership. Haven's engineer comments that the original audio equipment hadn't been reinstalled.

The total loss valuation considers the value of the car as a whole. The car when new, came with factory fitted audio equipment. The missing equipment could be factored into the valuation. I note Haven's comments that it hasn't made deductions for this or some additional pre-loss damage. I think this is fair. But I'm not persuaded that Haven needs to provide an additional payment.

In summary, I don't think Haven treated Mr I fairly. It should pay him an additional amount based on the market valuation of £8,379 for his car. It should also pay 8% simple interest on the outstanding amount.

My final decision

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

- settle Mr I's claim based on a market valuation of £8,379 and add 8% simple interest on any unpaid amount from when a total loss settlement was confirmed until payment is made in full.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 13 May 2024.

Mike Waldron
Ombudsman