

The complaint

Mr W complains about the settlement he's been offered by Advantage Insurance Company Limited (Advantage) after making a claim under his car insurance policy.

What happened

In August 2023 Mr W was involved in a car accident, so he made a claim to his insurer, Advantage.

The claim was accepted, and Mr W was offered £9,998 as a total loss settlement (before excess deduction). Mr W didn't think this was sufficient as he said it wasn't enough to buy a similar vehicle. He provided adverts of similar vehicles to Advantage which he said supported his position that the settlement should be increased.

Advantage maintained the settlement they offered was fair, so Mr W approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint. He noted that Advantage had relied on two trade guides when calculating their settlement offer. However, he obtained two further valuations from alternative trade guides which produced higher valuations than that offered by Advantage. He also considered the adverts Mr W had provided of similar vehicles for sale and these were broadly in line with the higher valuations.

Therefore, the investigator recommended Advantage increase the settlement to £11,534 (before the excess deduction), which was in line with the highest of the guides. And he also recommended 8% simple interest be added to the additional settlement amount due.

Advantage didn't agree. They produced two adverts for similar vehicles for sale at a lower amount than they had offered, and they maintained their offer was fair.

As an agreement couldn't be reached, the case was passed to me for a final decision.

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.

As explained to Mr W by our investigator, this complaint is only considering the valuation of his vehicle and whether that is fair. If Mr W is unhappy with other aspects of Advantage's handling of his claim, such as delays or issues with the courtesy car, then he'd need to raise that as a separate complaint with Advantage in the first instance.

Having considered the complaint Mr W made about the settlement he's been offered for his vehicle by Advantage, I've reached the same outcome as our investigator.

Mr W's car was deemed a total loss by Advantage following the accident. The terms of Mr W's policy outline that in the event of a claim, the most Advantage will pay is up to the market value (less the policy excess).

Market value is defined in the policy as:

"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."

Advantage calculated the market value as £9,998. When determining this, they relied on trade guides CAP and Glass's. These gave valuations of £9,801 and £10,140 respectively. Advantage says their offer of £9,998 is fair as it is more than the average of the two trade guide valuations they obtained.

Mr W doesn't think this is a fair settlement based on adverts of similar vehicles for sale, as he says this isn't sufficient to replace his vehicle. He also bought the car (used) around a month before the accident, at a higher amount than that being offered by Advantage.

Valuing a vehicle isn't an exact science. When considering disputes about vehicle valuations, as a starting point, we'd take into account what the different industry trade guides say the market valuation of a vehicle is. We'd also take into account any other available information.

The guides we use as a starting point are CAP, Glass's, Autotrader and Percayso. And we'd consider the safest way to ensure a consumer receives the correct replacement cost (market value) is to make sure the insurer basis its settlement on the highest one. Or – if it doesn't – make sure the insurer has provided evidence to show a valuation lower than this is fair.

As mentioned, Advantage used both CAP and Glass's when obtaining valuations. Our investigator also checked Percayso and Autotrader. These additional trade guides produced valuations of £10,608 and £11,534, so higher than the settlement amount offered by Advantage. Adverts of vehicles for sale provided by Mr W were also around a similar amount to the highest trade guide. Our investigator therefore recommended Advantage should increase the settlement in line with the highest of the trade guides to £11,534 (before excess deduction).

As outlined, valuing a vehicle isn't an exact science. To be persuaded that a lower valuation than that produced by the highest of the trade guides is a fair reflection of the market value, I'd need to be satisfied that the evidence provided by Advantage supported that. However, Advantage hasn't provided sufficient evidence which persuades me this is the case.

Advantage has provided two adverts of vehicles for sale at a lower amount than they offered. But Mr W has provided many examples of vehicles for sale for a higher amount than they offered (and in the range of the higher valuation our investigator obtained). So, I don't think Advantage's two example adverts are persuasive in demonstrating a lower value is a more accurate reflection of the fair market value.

As I'm not persuaded Advantage has demonstrated a lower valuation is fair, I'm directing Advantage to increase the settlement to the highest of the trade guides - £11,534 (before excess deduction). As Mr W has been deprived of funds he otherwise should have had, I'm also directing Advantage to add 8% simple interest to the additional settlement amount due from the date of the previous settlement offer to the date of payment of the remainder.

My final decision

It's my final decision that I uphold this complaint and direct Advantage Insurance Company Limited to:

- Increase the total loss settlement to £11,534 (before excess deduction) and pay Mr W the further amount due as a result of this.
- Add 8% simple interest to the additional settlement amount due from the date of the previous settlement offer to date of payment of the remainder.

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

Callum Milne
Ombudsman