

The complaint

Mr V complains that the settlement payment esure Insurance Limited (esure) offered him was too low, following the total loss of his car, under his motor insurance policy.

What happened

Mr V's car was damaged in an accident. He contacted esure to make a claim. It concluded the damage wasn't economical to repair and offered him a settlement for £20,234. Mr V says his car was in near perfect condition with low mileage. He didn't think esure's settlement offer was fair. He says he can't find similar vehicles advertised for sale at that price. Because of this he complained to esure.

In its final complaint response esure says it valued Mr V's car using the average of three of the industry's trade guides. It didn't think it had treated him unfairly and maintained its settlement offer.

Mr V didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. She obtained a further valuation from another trade guide for £21,090. She says it's fair that esure pays the highest of the trade guide valuations in settlement of Mr V's claim. This is to include 8% simple interest from the date of its initial offer until full payment is made.

esure didn't accept our investigator's findings. As an agreement wasn't reached it 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 V's complaint. Let me explain.

I understand that Mr V wants the best offer he can get following the total loss of his car. Having read his policy terms, the policy provides the market value in the case of a total loss. This is defined as:

"The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including: [motor trade guides]. This may not be the price you paid when you purchased the car."

We don'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. The valuations esure obtained were for £20,474, £20,047, and £20,180. It offered the average of these, which came to £20,234.

I think the approach esure took to value Mr V's car was reasonable. However, as our investigator explained we look at four of the main trade guides when considering if a settlement offer is fair. The remaining trade guide valuation our investigator obtained was for £21,090. I checked to see that our investigator used the correct loss date, vehicle make and model, mileage, and year of registration, which she did.

The approach our service takes in these circumstances is that the insurer should base its settlement payment on the higher of the industry trade guide valuations. This is unless it can clearly show this to be unfair. For example by providing engineer reports or clear evidence of similar cars selling at a different price.

esure hasn't provided information that persuades me it's unfair to use the higher valuation.

Having considered all of this I think it's fair that esure should base its settlement payment on the higher of the trade guide valuations. This means increasing the amount it pays to £21,090. I think it's fair that it pays 8% interest on the unpaid part of this settlement. esure should calculate this from the date it offered its original settlement, until the full amount is paid.

My final decision

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

- pay Mr V a total of £21,090 plus 8% simple interest on the unpaid amount from the date of its first offer until this is paid in full.

*If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr V how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 24 May 2024.

Mike Waldron
Ombudsman