

The complaint

Mrs M has complained about the total loss settlement Covea Insurance plc paid when he made a claim under his car insurance policy.

Mrs M is being represented by Mr H in her complaint.

What happened

Mrs M's car was involved in an incident which resulted in her car being written off as a 'total loss'. Mrs M made a claim to her insurer, Covea.

Covea settled Mrs M's claim by paying the market value for her car. But Mr H complained to Covea on Mrs M's behalf. He said the settlement wasn't enough and didn't reflect the cost to replace the car with a similar one.

Covea increased the valuation settlement, but Mr H said it still wasn't fair. So he brought Mrs M's complaint to us.

In line with our approach, one of our Investigators checked the main motor trade guides, as well as the examples provided by both Mr H and Covea. He found that there were additional extras which he couldn't see were taken into account under the examples provided by Covea. The additional specifications – in particular a panoramic roof – were rare and difficult to find a similar car for sale online.

From two of the four main guides we checked, one provided no depreciated value for the extra specifications under Mrs M's car. But the other provided a depreciated value of £760. And this valuation was also higher than the valuation Covea had decided on.

So the Investigator recommended Covea increase the settlement to match the bespoke guide. And he recommended Covea pay Mrs M £100 compensation for the distress and inconvenience caused.

Mr H accepted the Investigator's view. Covea didn't agree. In summary one of its engineers says the bespoke valuation doesn't represent the actual mileage of Mrs M's car. The second hand price for the extras represents over 30% of the valuation which it doesn't agree with as the car was 19 years old. And as another motor guide provided no second hand value for the extras, Covea wants an ombudsman 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.

We don't decide a valuation. But we can look at whether an insurer reached its valuation reasonably and in line with the policy.

Like most if not all standard motor insurance policies, Covea says the most it will pay in the event of a total loss is the market value of Mrs M's car. This is the cost to replace Mrs M's car with one of the same make, model, specification, year, mileage and condition. Covea says it will refer to insurance industry recognised guides as well as searching for available vehicles for sale to the public.

I've looked at all of the available evidence. From the examples provided, it's clear that a similar car to Mrs M's is rare – in particular with the main specification of a panoramic roof. So a reasonable number of examples of similar cars for sale haven't been available. Covea says the examples it found online ranged in price from £1,345, £2,495, £1450 and £2,249 with an average of £1,885. It said none of these cars had the high mileage Mrs M's car had. But I cannot see that any of the examples had the specifications of Mrs M's car either.

Mrs M's car had travelled over just over 199,000 miles according to the last MOT recording in March 2023. The incident happened in October 2023, so six months later. Covea said it didn't see the car, so it estimated the mileage to be around 201,000 based on its MOT history. I think this was a fair and reasonable approach to take.

The high mileage of Mrs M's car – and its age of 19 years – are additional factors as to why it is difficult to find similar examples for sale.

The guides Covea relied on produced valuations ranging between £1,135 and £1,995. Covea made a final offer settlement of £1,547, representing an average of the guides.

The guide checks we carried out matched the highest guide obtained by Covea of £1,995. But we found that same highest guide provided a depreciated valuation of £760 for the extras on Mrs M's car – in addition to the £1,995. I appreciate that to Covea, this seems too high based on the age of Mrs M's car. But having been able to obtain a bespoke guide, it doesn't seem fair or reasonable to discount it – when our base guide matched Covea's base guide of £1,995 – and in the absence of similar examples for sale online.

Because of recent changes in the market, we are increasingly hearing of cars selling either for, or close to, their advertised price. So we think it is generally fair for an insurer to pay the higher of the guides.

The guide showing a valuation of £1,995, and £760 for the extras, is based on the maximum mileage this particular trade guide can provide a valuation for, which is 180,000 miles. It isn't an exact science, but generally speaking a car's mileage has a lower impact on the price in this range than it would for example on the difference between 20,000 and 40,000 miles. On checking the other trade guides for a similar car with 200,000 miles and 180,000 miles, the difference in value ranged between zero and £100.

So while I agree with Covea that the mileage the higher guide is based on doesn't match the estimated mileage of Mrs M's car, overall I think the fairest outcome is for Covea to pay £2,775 in line with the Investigator's recommendation.

I think Covea's decision to pay a lower valuation for Mrs M's car has caused distress and inconvenience. Mr H says it has been difficult to find a replacement car similar to the one Mrs M had for the settlement amount. I think a fair compensation award in this case is £100.

My final decision

My final decision is that I uphold this complaint. I require Covea Insurance Plc to do the following:

- Pay the difference in the total loss settlement from £1,547 to £2,775 (minus any excess deduction).
- Pay interest on the difference at a rate of 8% simple interest from one month from the date of loss to the date of payment.
- Pay Mrs M £100 compensation for the distress and inconvenience caused.

Covea Insurance Plc must pay the compensation within 28 days of the date on which we tell it Mrs M accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 June 2024.

Geraldine Newbold
Ombudsman