

The complaint

Mr C complains about the settlement payment Advantage Insurance Company Limited (Advantage) offered him following the total loss of his car, under his motor insurance policy.

What happened

Another driver collided with Mr C's car whilst it was parked. He contacted Advantage to make a claim, which it accepted.

Mr C says he received poor service from the business during his claim. This meant he had to contact it to find out what was happening. His car was considered a total loss and Advantage offered him a settlement payment. Mr C says the offer was too low and he had to ask it to reconsider. He says it subsequently offered him £11,620 but he wants £12,000. Mr C says Advantage should also have factored in the cost of the new tyres he'd fitted on his car.

In its final complaint response Advantage says it paid the market value of Mr C's car using the average of two industry trade guides. It says the work Mr C did to his car is considered maintenance and doesn't impact on its valuation. Advantage says it acted according to its established processes when Mr C disputed its initial settlement offer. It acknowledges there were some instances of poor service. It apologised for this and paid £50 compensation to Mr C.

Mr C didn't think he'd been treated fairly by Advantage and asked for an ombudsman to consider his complaint. Our investigator upheld his complaint. She obtained two further trade guide valuations for Mr C's car. The highest of which gave its market value at £12,223. She thought Advantage should pay the higher of the valuations with 8% simple interest on the unpaid amount.

Mr C agreed. Advantage didn't. It says the adverts it provided show the settlement it offered was fair. Because it didn't accept our investigator's findings it asked for an ombudsman to consider the matter.

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 C's complaint. Let me explain.

I understand that Mr C 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 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 [industry trade 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."

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 our investigator obtained as of the date of Mr C's loss valued his car at £11,858 and £12,223.

The approach our service takes in these circumstances is to require the insurer to base its settlement payment on the higher of the industry trade guide valuations. This is unless it can clearly demonstrate, with evidence, that this is unfair.

Advantage has provided some adverts showing similar cars for sale. The cars appear to be of the same specification, with slightly lower mileage. The advertised sale prices for the three cars highlighted range between £10,500 and £11,499. I've thought about whether this shows that Advantage's settlement offer was fair, as it offered more than similar cars being offered for sale. But I don't think it does.

Mr C's policy terms say a total loss settlement will be taken from the time the loss occurred. The damage occurred in July 2023. Advantage provided for-sale adverts in December. This was around five months after the loss occurred. So, I don't think this information can reasonably be relied on to show Advantage's offer was fair.

I've thought about Mr C's comments that his car had a new set of tyres, which should be a consideration when valuing his car. However, I agree with Advantage that this is considered maintenance and isn't something that impacts on the car's market value.

Having considered all of this I think it's fair that Advantage should base its settlement payment on the higher of the trade guide valuations. This means increasing the amount it pays to £12,223 plus 8% simple interest on the unpaid part of the balance. Advantage should calculate this from the date it offered its original settlement, until the full amount is paid.

I've thought about the service issues Mr C refers to in his complaint. With regards to the provision of a courtesy car, his policy doesn't provide this service in the event of a total loss. That said a car was supplied for a period of around a week. The notes show Mr C asked for an extension when the car was requested back. This wasn't agreed. However, the records confirm £50 compensation was paid for the lack of a clear explanation regarding the claims process.

I acknowledge Mr C's comments that the service he received was poor, and communication from Advantage was unclear. The claim records support this to some extent. But the total loss decision was made fairly quickly, and a settlement payment was offered in a reasonable timeframe. Mr C didn't agree with Advantage's valuation, which meant the business spent

time reconsidering its offer. But overall, I think the offer of an apology and £50 compensation is a fair acknowledgment of these service issues. So, I won't ask Advantage to pay more.

My final decision

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

- base its settlement payment on a market value of £12,223 and pay 8% simple interest on the unpaid amount from the date of its first offer until this is paid in full.

*If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C 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 C to accept or reject my decision before 24 May 2024.

Mike Waldron
Ombudsman