

The complaint

Mr D complains about the settlement offer U K Insurance Limited (UKI) offered him following the total loss of his car, under his motor insurance policy.

What happened

In November 2023 Mr D's car was stolen and damaged. He made a claim to UKI, which it accepted. The car was considered a total loss and UKI offered Mr D a payment of £10,057. He didn't think this was a fair settlement as he couldn't buy a similar car for this amount.

In its final complaint response UKI says it based its valuation on the average of two of the industry trade guides. It says its engineer also carried out market research.

Mr D didn't think UKI had treated him fairly and he referred the matter to our service. Our investigator upheld his complaint. She says UKI should pay the higher of the trade valuations it obtained. It hadn't supplied information to support payment of a lower settlement was fairer. So, she thought it should pay the higher value plus 8% simple interest.

UKI agreed to this outcome. Mr D didn't and asked for an ombudsman to consider his complaint.

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 D's complaint. I'm not adding to the remedy our investigator proposed. I understand Mr D will be disappointed, but I'll explain why I think my decision is fair.

I understand that Mr D 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 with another of the same make and model, and of a similar age and condition at the time of the accident or loss."

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.

UKI obtained two valuations from the trade guides it used. We use four of the guides, but unfortunately the two remaining guides weren't able to provide a valuation.

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.

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

Mr D has provided a number of advertisements that show some similar cars for sale. One of these is for £13,600 but it has a different transmission and significantly lower mileage to his car. Another for £13,990 but again this has a different transmission and lower mileage. One car is advertised at £12,995 with the same transmission and higher mileage. I've seen some other advertisements Mr D provided, but these are lacking detail. I note our investigator also found the same model advertised for sale at £10,275, with the same transmission as Mr D and lower mileage.

In the main the advertisements I've seen aren't directly comparable to Mr D's car. Where they are more closely comparable there is a range of advertised prices both below and above the settlement UKI offered.

Having considered all of this I think it's fair that UKI should base its settlement payment on the higher of the trade guide valuations. This means increasing the amount it pays to £11,534. I think it's fair that it pays 8% interest on the unpaid part of this settlement. UKI 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. U K Insurance Limited should:

- pay a settlement for £11,534 in total and add 8% simple interest on any unpaid part from the date of the original settlement offer until payment is made in full.

If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D 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 D to accept or reject my decision before 22 July 2024.

Mike Waldron
Ombudsman