

The complaint

Mr D complains about the settlement payment he was offered by Advantage Insurance Company Limited (Advantage) following the theft of his car, under his motor insurance policy.

What happened

Mr D's car was stolen. He made a claim to Advantage, which it accepted. He was then offered £14,880 in settlement. Mr D says his car had every available optional extra. He thinks the settlement Advantage offered was for the base model. Mr D says he paid £19,500 for his car, which he'd only had for six months and only driven 4,000 miles.

In its final complaint response Advantage says it used two industry trade guides to value Mr D's car. It says it offered slightly more than the trade guide valuations in its settlement. It thought this was fair and didn't increase its offer.

Mr D didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He obtained further valuations from the trade guides. The highest of these gave a valuation for £16,128. Our investigator added the optional extras when obtaining valuations. However, he says that as the car was over eight years old the extras didn't add to the value of Mr D's car. Our investigator says Advantage should settle the claim for £16,128 and pay 8% interest on the unpaid amount.

Mr D accepted our investigator's findings. Advantage didn't. It provided advertisements for similar cars for sale and says this supports its lower valuation. Our investigator didn't think the adverts showed comparable cars and he didn't change his mind. Advantage didn't think this was fair and asked for an ombudsman to consider the matter.

It has been passed to me to consider.

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 this complaint. Let me explain.

Mr D's policy provides the market value in the case of a total loss due to theft. 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 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."

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.

Advantage obtained valuations from two of the trade guides. I've looked to see that it used the correct mileage, age, make and model of car, which it did. We generally refer to four of the trade guides when looking to see if an insurer has treated its customer fairly. Our investigator obtained valuations from the remaining guides. The highest of which gave a value of £16,128. Again, I checked to see that our investigator used the correct information for Mr D's car as well as the correct loss date, which he did. I can see he also added the optional extra's that Mr D's car had. However, this didn't increase the valuation. I can understand why Mr D thought his car was worth more as a result of the optional extras. But over time the value attached to these extras lessens, until eventually they add no value. This is the case here given the age of Mr D's car.

Valuing second-hand vehicles isn't an exact science so we look to see that Advantage took a reasonable approach in these circumstances. I think it did when using the trade guides and offering a settlement that was slightly higher. Advantage has since referred to three adverts showing similar cars for sale to support that its offer was fair. I've looked at these adverts. One is for sale at £14,995. This car was registered the year before Mr D's car and has around 3,000 additional miles. The next is advertised at £15,295. This car is registered in the same year and with similar mileage. The final car is advertised for sale at £15,495 with around 5,000 more miles and is registered the year after Mr D's car.

Mr D declared the value of his car to be £19,495 when it was added to his policy in June 2023. As he says in his complaint, this was six months prior to it being stolen. The mileage showing on the dealership website was 49,000 at the time the car was advertised for sale. This ties in with the mileage Mr D confirmed he'd covered at the time of his loss.

I'm aware that for a number of reasons, second hand cars are increasingly selling either close to, or for their advertised price. So, we think the best way to ensure a customer receives a fair settlement payment is for the insurer to pay the highest of the trade guide valuations. This is unless it can provide persuasive evidence to show that a lower figure is fair.

I've considered the adverts Advantage provided. The first car is older with higher mileage. The third is newer. I don't think these are helpful comparisons. The example advertised at £15,295 is comparable. But this is only one example. The trade guides take into consideration a much wider range of information. So, I'm not persuaded that it's fair to pay Mr D a lower settlement than the higher of the trade guide valuations based on the advertised examples Advantage provided. Because of this I think it's fair that it bases its settlement payment on the highest trade guide valuation. Advantage should also pay 8% simple interest on any unpaid amount from the date a settlement was originally offered until payment is provided in full.

My final decision

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

- settle the claim for £16,128 less any policy excess payment and pay 8% simple interest* on any unpaid amount from when a settlement was first offered until payment is made in full.

*If Advantage 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 26 August 2024.

Mike Waldron
Ombudsman