

The complaint

Mr P complains about the settlement offered by esure Insurance Limited (esure) following the total loss of his car due to fire damage, under his motor insurance policy.

What happened

Mr P's car was damaged by a fire. He made a claim to esure which it accepted. His car was categorised as a total loss by the business. It then offered him £5,296 to settle his claim. Mr P says his car is a modern classic and worth more than esure had offered, so he complained.

In its final complaint response esure says its policy insured Mr P's car for its market value. It acknowledged that he'd provided advertisements of similar cars for sale at a higher price than it had offered in settlement. It says it referred to vehicle guides to establish the market value of Mr P's car. esure maintained that its offer was fair. But it did pay £50 compensation for a delay in responding to Mr P's complaint.

Mr P didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He referred to a trade guide that gave a valuation for £6,253. He says esure had provided adverts for cars offered for sale at a price less than this. And that Mr P had provided adverts that showed cars for sale at a higher price. Our investigator thought the fairest outcome was for esure to base its settlement payment on the highest of the trade guide valuations. And that it should also add 8% simple interest to the unpaid part.

esure didn't agree with our investigator's findings. It says it had supplied evidence of cars for sale that support its settlement offer. Our investigator didn't change his view, so esure 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 this complaint. Let me explain.

Mr P's policy provides the market value in the event of a total loss due to fire damage. 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 Glass's, Parkers and CAP. 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.

esure obtained a valuation from one 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 was able to obtain a valuation from one other trade guide. This gave a value of £6,253. Again, I checked to see that our investigator used the correct information for Mr P's car and that he used the correct loss date, which he did.

Valuing second-hand vehicles isn't an exact science so we look to see that esure took a reasonable approach in these circumstances. I think it did when using the trade guides to establish the market value for the car. esure has provided two adverts showing similar cars for sale to support that its offer was fair. I've looked at these adverts. One car is for sale at £5,000. This car was registered in the same year as Mr P's car and has covered around 17,000 additional miles. The next is advertised at £5,350. This car is registered in the same year and with around 5,000 less miles.

Mr P also provided a number of adverts showing similar cars for sale. Two are registered in the same year as his car. They are advertised for sale at £7,150 and £10,950. The lower priced car has around 20,000 additional miles. The higher priced car has around 33,000 fewer miles. The remaining three examples are registered in the following year and range in price between £7,500 and £9,000. Two have significantly higher mileage and one has less miles than Mr P's car.

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 esure and Mr P provided. What this shows is a wide range of advertised prices for similar cars that are being offered for sale. Based on this evidence I think the fairest approach is for esure to pay the highest of the trade guide valuations. It should also pay 8% simple interest on any unpaid amount from the date the settlement was originally offered until payment is provided in full.

My final decision

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

- settle the claim for £6,253 and pay 8% simple interest* on the delayed part of the payment, from when the original settlement was offered 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 P 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 P to accept or reject my decision before 26 August 2024.

Mike Waldron
Ombudsman