

The complaint

Mr R complains about the amount Aviva Insurance Limited paid to settle his claim on his car insurance policy.

What happened

Mr R's car was stolen so he made a claim on his car insurance policy with Aviva. Aviva accepted the claim and initially valued Mr R's car at £9,528 and paid him this amount. Mr R didn't think this was enough, so Aviva increased its valuation to £10,500 and paid Mr R the additional amount, minus his policy excess. Mr R still didn't think this was enough and complained, he said he'd found a similar car to his advertised for just under £15,000.

Aviva reviewed the complaint and didn't uphold it. It said it had reviewed the valuation of his car and was satisfied the market value it had given of £10,500 was fair. Mr R was unhappy with Aviva's response and referred his complaint here. He said the valuation of his car was too low and that he also hadn't been provided with a courtesy car during his claim. Mr R also said his car had a full tank of fuel when it was stolen and had personal possessions in the car which Aviva should pay for.

When Mr R's complaint was referred here, Aviva increased its valuation of Mr R's car to £12,500. Our Investigator reviewed the complaint and found the valuation of £12,500 was higher than the four valuation tools we use. As there wasn't persuasive evidence to show Mr R's car was worth more than this, she found the valuation to be fair and reasonable. She also found that Aviva had paid up to the policy limit of £150 for personal possessions in Mr R's car. Finally, she noted that Mr R's policy doesn't provide a courtesy car when his car is stolen and doesn't provide cover for the fuel in the car, so she thought Aviva acted fairly by not paying these. Our Investigator recommended Aviva pays £100 compensation for the distress and inconvenience caused by its poor claim handling.

Mr R didn't agree, he said he'd provided an advert for a similar car to his which was advertised for almost £15,000. He also thought Aviva should add 8% simple interest to the additional amount it pays to compensate him for not having the money and said the compensation wasn't enough.

As Mr R didn't agree the complaint has come to me to decide. Before I issued my final decision, I e-mailed Aviva to explain that I also intended to award 8% simple interest per year to the additional amount it needed to pay to compensate Mr R for not having the money. I also explained that I intended to increase the compensation for distress and inconvenience to £300. I said this was due to Aviva unfairly valuing Mr R's car on two occasions and so I was satisfied this had caused Mr R additional unnecessary distress and inconvenience. Aviva responded and accepted the increase in distress and inconvenience to £300, Aviva also asked to clarify when it would need to calculate the 8% simple interest from. I let Aviva know the 8% simple interest would need to be calculated on the additional amount it pays, calculated from the date it paid the previous offer until the date the settlement is paid.

Mr R was also made aware of the adjustment to the redress I intended to award. He asked

how much Aviva would be asked to pay. Our Investigator let Mr R know that as the date of settlement wasn't known it wasn't possible for us to calculate how much interest would be applied but explained in principle how it would be calculated.

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.

The terms and conditions of Mr R's policy say that if Aviva deem his car a total loss, it will pay him the market value. It defines market value as *"the cost of replacing **your car** with one of the same make, model, specification and condition."*

Our service doesn't value cars. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices.

The four motor valuation guides we use produced values of £10,190, £10,250, £11,871 and £12,418. Aviva initially valued Mr R's car at £9,528 which is lower than all four valuation guides we use. I can see Aviva's valuation has been reached in a valuation report which has been provided. This report says the valuation is based research of similar cars. Within the report are two adverts for cars, one is the advert Mr R provided at just under £15,000, the other is an advert for a similar car but is advertised at £11,850. It's disappointing to see the offer of £9,528 isn't supported by any market research as the report suggests and so I'm not satisfied Aviva fairly valued Mr R's car initially.

Aviva did increase its valuation to £10,500, but again this is still below the lowest advert it provided. This is also lower than two of the four valuation tools we use. Again, with no supporting evidence to show this is a fair valuation. Aviva finally increased its offer to £12,500. This is slightly higher than the highest valuation produced by the valuation guides, £12,418. I've also considered the advert Mr R has provided at just under £15,000. While I can see this car is advertised for more than the valuation guides, I'm not persuaded that one advert is enough to evidence the valuations produced by the guides are wrong in this particular case. I'm therefore satisfied that Aviva's final offer of £12,500 is a fair and reasonable valuation.

Aviva therefore needs to pay Mr R the difference between its previous valuation (£10,500) and £12,500, subject to any policy excess. As Mr R has been without this money, Aviva should also add 8% simple interest per year to the amount it pays to compensate him for not having the money. This should be calculated from the date Aviva paid Mr R the £10,500 valuation and the date it pays the additional amount.

Mr R has also complained he wasn't provided with a courtesy car. I've reviewed the terms and conditions of Mr R's policy and can see a courtesy car is only provided if his car is being repaired by Aviva. As Mr R's car was stolen and deemed what is known as a "total loss", his policy doesn't provide a courtesy car in this situation, I'm therefore not persuaded Aviva has done anything wrong by not providing one.

I've also looked at Mr R's claim for personal belongings. Mr R's policy provides cover up to £150 for these, which Aviva has already paid. As Aviva has paid up to the policy limit for personal possessions, I'm satisfied it's acted fairly and done what it needed to under the policy. Mr R also raised concerns about not being paid for the fuel in his car when it was stolen. This is also a loss which isn't covered by his policy, and so it follows I'm satisfied Aviva hasn't done anything wrong by not paying Mr R for the fuel that was in his car when it was stolen.

I have however considered Aviva's handling of the claim, particularly around the valuation provided for Mr R's car. Aviva initially valued his car lower than its own market research and lower than the four's valuation guides. Furthermore, when Aviva did increase its valuation, this again appears to be lower than the market research it had done. I understand Mr R still doesn't agree with the final valuation of £12,500, however, in my view, Aviva not fairly valuing his car initially has caused him unnecessary distress and inconvenience he wouldn't otherwise have had. Therefore, to compensate him for this Aviva should pay Mr R £300 compensation for the distress and inconvenience caused by its poor claim handling.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require Aviva Insurance Limited to pay Mr R:

1. £12,500 as the market value of his car. 8% simple interest per year should be added to the additional amount it pays, calculated from the date the £10,500 valuation was paid until the date of settlement.
2. £300 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 July 2024.

Alex Newman
Ombudsman