

## **The complaint**

Mr F complains UK Insurance Limited trading as Direct Line (UKI) unfairly settled his claim on his motor insurance policy after his car was classed as a total loss.

UKI are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the intermediary. As UKI have accepted it is accountable for the actions of the intermediary, in my decision, any reference to UKI includes the actions of the intermediary.

## **What happened**

Mr F made a claim on his motor insurance policy after his car was damaged in an incident.

UKI's engineer inspected the car, and it was deemed beyond economical repair and therefore was classed as a total loss. UKI made Mr F a settlement offer of £350.

Mr F was not happy with the settlement amount. He said he felt the car was worth a lot more than UKI's settlement offer. He said it would be impossible to buy any car for this amount.

Because Mr F was not happy with UKI, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said as the car was more than 20 years old and of high mileage they did not feel it would be devalued by pre-existing damage. They said UKI should increase its settlement offer to £635 which was a valuation obtained from a leading trade guide. As the third party was at fault no excess should apply to the settlement.

As UKI is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

## **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.

In this case I have considered whether UKI acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr F following the write-off of his car.

My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I looked at the details within Mr F's motor insurance policy with UKI. In the terms and conditions used within the policy. It says;

*"Market value. 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."*

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use trade guides

to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor trade guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

Prices of used cars can change on a regular basis. This could be an increase or decrease. This is the reason why we take the approach that if UKI can demonstrate, that it used a fair process to value the car then we wouldn't interfere with the offer it has made.

I looked at the information UKI used when calculating the market value for Mr F's car. I saw it obtained valuations from one of the main trade guides. It said the valuation was £463. UKI said as there was pre-existing damage to the car this would need to be taken into consideration, and this would have taken the settlement into minus figures. It reduced its settlement offer to £350 which it said was its minimum payment for a total loss.

I looked at the valuations our investigator obtained. They were only able to obtain one valuation from one of the main trade guides, of which was the same as used by UKI. This valuation was £635.

We typically find the guides show a range of values and we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. However in this case, due to the age of the car, only one motor trade guide gave a market valuation.

In this case I do not think the settlement amount offered by UKI is fair. I saw the valuation obtained by UKI was actually £524 but the date of valuation used was later than the date of loss. The valuation of £635 obtained by our investigator was at the date of loss. I do not think reducing the valuation further due to pre-existing damage to the car is reasonable due to the age and mileage and low valuation. I think using the only valuation available will ensure Mr F has received a fair offer.

I understand Mr F feels he can't replace his car for less than £1,000. I saw he provided copies of several adverts of cars for sale. I looked at these and found the advert for the car which was the same make and model had very different mileage, and the others were for different models of car. I am not persuaded these are evidence of his car's pre accident value and I am satisfied that the trade valuation obtained by our investigator is a fair market value settlement offer.

Therefore, I uphold Mr F's complaint and require UKI to increase its total loss settlement offer to £635. It should also add 8% simple interest.

### **My final decision**

For the reasons I have given I uphold this complaint.

I require UK Insurance Limited trading as Direct Line to pay Mr F a total of £635 for the total loss settlement of his car. It should also pay 8 % simple interest from the date it made its initial settlement offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 19 August 2024.

Sally-Ann Harding  
**Ombudsman**