

The complaint

Mr R complains One Insurance Limited (One Insurance) unfairly handled and settled a claim on his motor insurance policy, after his car was stolen.

What happened

On 13 September 2023 Mr R notified One Insurance of the theft of his car. One Insurance said it'd settle the claim by paying Mr R the car's market value, less his £300 policy excess. One Insurance initially valued the car at £17,228 but later said it would only pay 86% of this amount, because Mr R didn't tell it about a second occupation.

Mr R didn't agree with the reduced settlement value of £14,516.08. He also thought One Insurance had undervalued the car, and so he raised a complaint. On further review, One Insurance agreed it wasn't fair to proportionally reduce the claim settlement. On 17 January 2024 it paid Mr R's claim in full (£17,228 less the excess) . But Mr R remained dissatisfied with One Insurance's valuation of the car.

One Insurance responded to Mr R's complaint offering to increase the valuation to £17,380. Mr R didn't accept this and referred his complaint to this Service for an independent review. One Insurance told this Service it was satisfied Mr R had accepted its final valuation of £17,380 (less the excess). As it hadn't made an interim payment in line with this, One Insurance agreed to pay 8% simple interest on the increased valuation. It also offered £300 compensation to Mr R for not dealing with his complaint within the correct timescale.

Having reviewed the valuation guides available to this Service, the Investigator thought a fair settlement would be £18,743 and agreed interest and compensation should be paid to Mr R.

Mr R accepted the Investigator's findings. One Insurance did not. As a result, the matter 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.

I've decided to uphold this complaint and I'll explain why.

The valuation

This Service's role isn't to work out exactly what the value of an individual car is. Rather, we look at whether the insurer has applied the terms of a policy correctly, and valued the car fairly.

One Insurance's liability under the terms of its contract with Mr R say, in the event of a theft, it is required to:

“Make a settlement payment based on the market value of your car at the time of the loss or damage, taking into account its make, model, age, mileage and condition of the car prior to the incident.”

The policy defines ‘market value’ as:

“The cost of replacing your car, if this is possible, with one of a similar make, model and specification, taking into account the age, mileage and condition of your car, immediately before the loss or damage happened. In assessing the market value of your vehicle, reference will be made to insurance industry recognised guides of vehicle values as well as searching for available vehicles being offered for sale to the general public.”

This way of calculating a vehicle’s market value also represents our Service’s starting point for complaints of this nature. In line with our approach, motor trade guides are used to ensure fairness and consistency in the way all cars are valued, regardless of the insurer. I can see Mr R raised concerns with our investigator over the use of trade guides, because he isn’t associated with the motor trade. Mr R has said he wants to pay what he’d be required to pay if purchasing a vehicle via a garage, or Autotrader, for example.

It may help to reassure Mr R if I explain these guides are used for valuing second-hand cars. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures; and crucially, the values insurers (and we) rely on, are retail values and not trade discounted values. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer’s reports or advertisements for comparable vehicles.

I can see One Insurance obtained valuations from two of the trade guides for £17,076 and £17,380. One Insurance initially applied an average of these two trade guides to value the car at £17,228. But, when it reviewed Mr R’s complaint, One Insurance increased the valuation to £17,380, in line with the highest of the two trade guides it consulted.

We use the same industry recognised valuation guides as One Insurance. But, crucially, our Service considers all four trade guides where available. Determining the market value of a car isn’t an exact science but, by using all four guides, we’re satisfied this gives the best picture of the value of a consumer’s vehicle. In considering the settlement offer made to Mr R, I’ve reviewed the guides One Insurance looked at, in addition to two other available guides. These returned values for Mr R’s car, of £16,450, £16,580, £17,380, and £18,743.

Based on the valuations produced by the guides I’m not persuaded One Insurance’s offer of £17,380 was fair and reasonable. We’re aware that, for a number of reasons, second hand cars are increasingly selling either close to, or for their advertised price. In line with our Service’s most recent approach, which has been in place for some time, 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. One Insurance’s offer sits in line with the second highest guide price, but it hasn’t been able to show why this offer is fair, or that it allows Mr R to replace his car with one of the same *‘make, model, age, mileage and condition of the car prior to the incident’*.

By using the highest of the available guides as a starting point (and in the absence of any evidence from One Insurance to support its valuation figure), I’m satisfied Mr R is given the best chance of replacing his vehicle, in line with One Insurance’s policy terms. For the reasons given I’m not persuaded One Insurance have acted fairly or reasonably in valuing

Mr R's car at £17,380. I therefore require One Insurance to put things right by taking the steps outlined below.

Claim delay and service

Overall, One Insurance took too long to settle Mr R's claim. I say this when considering, in particular, it took One Insurance three months to make an interim payment to Mr R even after it'd resolved its concerns about a secondary occupation. To apologise for this, One Insurance offered £300 in compensation. Whilst I note, in response to the investigator's view, it disputed the £300 compensation, I'm satisfied our inquisitorial remit allows us to comment on anything we see during the course of our investigation that we don't think is fair or reasonable in the circumstances. Having considered the same, it's clear the service from One Insurance has fallen below the level Mr R was entitled to expect of it. Taking all the circumstances of the complaint into account, I consider the compensatory offer it made of £300 a fair and reasonable way to put right the impact of its service in this matter.

Putting things right

To settle the complaint in this matter, One Insurance Limited must.

- Pay £1,363 to Mr R, that is, the difference between the market value determined in this matter (£18,743) and amount paid by One Insurance (£17,380).
- Pay 8% simple interest* on £18,743, from the date 30 days after Mr R's claim was made, up to the date of actual payment (giving due credit for any interim payments on the date they were made).
- Pay a total of £300 distress and inconvenience to Mr R.

*If One Insurance Limited considers it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mr R how much it's taken off. It should also give Mr R a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is I uphold this complaint. One Insurance Limited now needs to take the steps set out above to put things right. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 October 2024.

Rebecca Ellis
Ombudsman