

The complaint

Mr A complains about the settlement esure Insurance Limited (esure) offered after his car was declared a total loss, under his motor insurance policy.

What happened

Mr A was involved in an accident when driving. He contacted esure to make a claim, which it accepted. It determined Mr A's car was uneconomical to repair and categorised it as a total loss. esure offered Mr A £3,145 in settlement of his claim. This was based on an average of the industry trade guide valuations, less his policy excess, £345 for pre-existing damage, and £1,199 for the salvage value of the car, which Mr A retained.

Mr A didn't think esure's settlement offer was fair. He says his vehicle was worth £4,500 at the time of his loss and he was unable to buy a like-for-like replacement. Mr A says he felt helpless and that he was penalised by esure.

In its final complaint response esure says the approach it took to valuing Mr A's car was to use an average of the trade guide valuations. It maintained that the deductions it applied were fair and didn't agree to increase its settlement payment.

Mr A didn't think he'd been treated fairly and referred his complaint to our service. Our investigator upheld his complaint. He says esure should base its settlement on the highest of the trade guide valuations it had obtained, which was for £4,210. But he thought the amount it had deducted for pre-existing damage, the salvage value, and the policy excess was fair. Our investigator says esure should add 8% simple interest to the missing payment. It should also pay £100 to compensate Mr A for the distress and inconvenience it caused him.

esure didn't agree with our investigator's findings and 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 Mr A's complaint. Let me explain.

Mr A's policy provides the market value in the event of a total loss due to accident 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 valuations from three of the trade guides we use. 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 three guides esure had used. However, the fourth guides wasn't able to provide a valuation due to the age of Mr A's car.

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. However, it took an average of the valuations. We're 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.

In response to our investigator's findings esure sent two adverts showing cars similar to Mr A's car that it identified for sale. However, the business confirms these adverts were from May 2024. Mr A's policy provides the market value immediately prior to the loss occurring. This was in July 2021. This means the adverts provided can't reasonably be considered reliable evidence of the cars value at the time the loss occurred.

I've seen a detailed assessment of the pre-existing damage to Mr A's car. This is mainly to the front bumper and bonnet. esure's repairer determined the repairs would cost in excess of £3,000. I think it's fair that a deduction was made to the settlement payment to reflect the pre-existing damage. esure's approach was to deduct around 10% of the estimated repair cost for this damage. I think this was fair. There was some significant damage to the bonnet and front bumper. It's reasonable to expect this would impact on the amount a buyer was willing to pay for the car.

Based on this evidence I think the fairest approach is for esure to adjust its settlement payment based on the highest of the trade guide valuations. It should also pay 8% simple interest on the delayed part of the payment.

I've thought about Mr A's comments that he couldn't find a replacement car for the settlement esure paid. Also, that he felt helpless and penalised as a result. I don't think the settlement esure paid was fair. The highest valuation was around £1,000 more. So, I think it's reasonable for esure to acknowledge the impact this had on Mr A by paying him £100 compensation.

My final decision

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

- base its settlement payment on £4,210 as the market value for Mr A's car, and pay

- 8% simple interest* on the delayed part of the payment; and
- pay Mr A £100 for the distress and inconvenience it caused him.

*If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A 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 A to accept or reject my decision before 28 August 2024.

Mike Waldron
Ombudsman