

The complaint

Mr J has complained that U K Insurance Limited (UKI) didn't offer the correct market valuation of his car under his motor policy given his car was deemed a total loss following an accident.

What happened

Mr J insured his car with UKI and was involved in an accident on 27 November 2023. Given the extent of the damage to his car, UKI said it was uneconomical to repair. Therefore, under the policy it would pay him the market value of his car at the date of the accident.

UKI said it looked at three motor trade guides which actually gave valuations of Mr J's car as £5,825, £5,350, and £6,142 respectively. UKI also said there was pre-accident damage which amounted to £105. UKI then averaged all three valuations and offered Mr J £5,772 less the £105 pre-accident damage and less the £300 excess. Mr J didn't agree as he believed the market value of his car was around £8,000.

So, Mr J brought his complaint to us. The investigator ultimately was of the view that UKI should have paid Mr J the highest valuation it got at the time which was £6,142. Mr J didn't agree because the entity which produced that higher valuation at the time UKI did the valuation on his car, produced an even higher one when we asked it for a valuation of his car some months after UKI did. That higher valuation was more in keeping with Mr J's thoughts on the market value of his car.

On that basis Mr J didn't agree so his complaint 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 along the same lines as the investigator. I'll now explain why.

The policy explains clearly that the market value of the car insured is as follows:

'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.'

The salient issue is the value of the car **when** it suffered the damage leading to it being a total loss. So that is not the value of the car when a consumer goes out to replace it. The second-hand car market changes all the time, which is also why different valuations even using the same loss date can change. It's not an exact science with many issues influencing it.

We believe that the fairest method of valuing cars consequently is through the use of the motor trade guides and our stance on this is published on our website. And our role is to assess what the insurer might have done wrong. Here UKI accessed all the relevant guides, which had a valuation for Mr J's car. However, it then wrongly decided to average the three guides which had returned a valuation for Mr J's car, which is not the correct approach. We say that if the valuation isn't the same or close to the highest guide price, we would look to see if the lower valuation was supported by other evidence such as adverts or an expert's opinion. UKI didn't provide any such evidence to support averaging the valuations in the way it did. So that wasn't fair to Mr J.

The highest of the valuations UKI produced at that time as in sometime between the date of notification of the accident by Mr J and 19 December 2023 the date of its final response letter was £6,142. This is closest in time to the date of Mr J's accident. And since UKI's duty under the policy is to pay the market value of Mr J's car at the time the accident occurred, therefore using this valuation is most appropriate. UKI agreed with the investigator's view on this point too.

I do understand and appreciate why Mr J thinks this isn't right but the extent of UKI's duty under the policy is limited to the value of the car **at** the date of loss and not at any other date. So, since the highest valuation nearest that time was £6,142 then that is the most appropriate bearing in mind the wording of the policy term. Also, the motor trade guides are compiled with data from entities that buy and sell second hand cars, they aren't compiled with data from motor insurers as Mr J has intimated, and they reflect the selling prices at the time which aren't just used for motor insurers but for the entire second-hand car market. That's why we consider using the motor trade guides is the fairest way to assess market values of vehicles. Whilst I can see that Mr J also believes the value is around £8,000, he hasn't produced any adverts showing those prices for the make and model of his car for me to assess. So, as we're an evidence-based dispute resolution service there is nothing to show me that this price at that time was seriously undervaluing Mr J's car.

UKI offered Mr J a total of £5,367 which included the deduction for the £105 pre-accident damage plus the deduction of the £300 excess. Using the highest valuation which UKI obtained of £6,142 less £105 and £300 amounts to £5,737. Therefore, UKI needs to pay Mr J a further £370 with interest.

My final decision

So, for these reasons, it's my final decision that I uphold this complaint.

I now require U K Insurance Limited to do the following:

- Pay Mr J the sum of £370 adding interest of 8% simple per year from the date UKI paid its original market valuation to Mr J to the date it pays this further amount. If income tax is to be deducted from the interest, appropriate documentation should be provided to Mr J for HMRC purposes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 14 August 2024.

Rona Doyle
Ombudsman