

The complaint

Mrs P complains about the settlement that Acromas Insurance Company Limited offered her for the total loss of her car following a claim made on her motor insurance policy.

What happened

Mrs P's car was damaged in an accident, and she made a claim on her policy. Acromas offered her £4,130, with the policy excess waived, in settlement of her claim. But Mrs P was unhappy with this as she thought the car was worth £5,000.

Our Investigator recommended that the complaint should be upheld. He thought Acromas hadn't reasonably based its settlement for the car's market value on all the motor trade guides we use. He thought it should offer the highest of the valuations provided by the motor trade guides, £5,430. And he thought it should add interest to the difference between the interim and final settlements.

Acromas replied that it agreed that its settlement was too low, and it said it would increase this by £545. But it said it wouldn't take into consideration the highest valuation found by the Investigator as it said this wasn't supported by evidence of comparable cars. Acromas asked for an Ombudsman's review, so the complaint has come to me for a final decision.

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 can understand that Mrs P wants a fair settlement for the loss of her car. She said her car had low mileage and a full service history. She thought it was worth about £5,000 and so she was disappointed with Acromas' offer.

Mrs P's policy provides for the car's market value in the case of its total loss. I can see that this is defined on page 7 of the policy booklet as:

"The cost of replacing your vehicle with a vehicle of the same make, model, specification, age, mileage, and condition as your vehicle was immediately before the loss or damage you are claiming for."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor-trade guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available

evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought Acromas' settlement offer wasn't fair and reasonable. So I've checked how he came to this conclusion. I can see that he looked in the four motor trade guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mrs P's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. 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. So we now expect insurers to pay the highest of the trade guides, unless they are able to provide us with evidence which supports a lower valuation.

Acromas had provided a valuation of £4,130, which it said was the highest of the valuations provided by the two guides it checked. But it agreed to also consider the valuation provided by one further guide we use and, as it was higher, to offer this to Mrs P. This increased the settlement to £4,675.

But I don't agree that this was fair and reasonable. This is because I think Acromas unreasonably dismissed the valuation provided by the fourth trade guide we use. This is based on market research, as are the other valuations. So I can see no reason why it shouldn't be considered.

This valuation was £5,430. As I've said above, we think it's fair and reasonable for insurers to pay consumers the highest valuation provided by the trade guides unless they can provide evidence to justify a decrease. The engineer's report Acromas provided based its valuation on one trade guide. And so I'm not satisfied Acromas has justified its decision not to pay the highest valuation.

And so I agree that Acromas' offer wasn't fair and reasonable as it wasn't made in keeping with our approach and the policy's terms and conditions. And so I require it to increase this to £5,430. Acromas paid Mrs P an interim settlement. But Mrs P has been without her full settlement for some time. And so I think Acromas should reasonably add interest to the difference between the two settlements.

Putting things right

I require Acromas Insurance Company Limited to increase its valuation of Mrs P's car to £5,430 and pay her the difference between this and its interim payment. Interest should be added to the unpaid amount at the rate of 8% simple per annum from the date of the interim settlement to the date of final settlement.

If Acromas considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs P how much it's taken off. It should also give Mrs P a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Acromas Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 6 September 2024.

Phillip Berechree
Ombudsman