

The complaint

Mrs S has complained about First Central Underwriting Limited. She isn't happy about the valuation of her car after it was deemed a total loss following a claim under her motor insurance policy.

What happened

Mrs S made a claim under her motor insurance policy and her car was deemed a total loss. When First Central looked to settle the claim Mrs S wasn't happy with the valuation of her car.

First Central looked to value Mrs S' car after it was written off by looking at a number of the various trade valuation guides in order to gauge the market value of her car. It offered Mrs S £9,985 (less her policy excess) which was the average of the guides (which was below the highest guide price it found) less a 20% deduction as her car had previously been deemed a total loss.

When Mrs S complained to First Central about this, as she believed her car was worth over £15,000, it maintained its position that its offer was a fair market value.

Our Investigator looked into things for Mrs S and eventually upheld her complaint. He looked at four of the motor trade valuation guides available for Mrs S' car from around the time of claim and thought the fairest thing to do in this instance was to pay Mrs S the highest of the trade guide valuations he found (£12,942) less 20% as the car was previously written off. This was because he didn't think First Central had provided sufficient evidence to show that a lesser overall valuation was fair.

As First Central didn't respond the matter has been passed to me for review.

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 agree that this complaint should be upheld. I'll explain why.

This Service has an approach to valuation cases like Mrs S which has evolved in recent times. When looking at the valuation placed on a car by an insurance company I consider the approach they have adopted. And decide whether the valuation is fair in all the circumstances.

It isn't the role of this Service to come to an exact valuation of a consumer's car. But we do look to see if insurers have acted reasonably in looking to offer a fair market value of the car in line with the policy terms and conditions. I pay attention to the various trade valuation guides used for valuing cars. And I look at any other evidence provided by both sides, such as advertisements or details about the condition of the car.

Valuing second-hand cars is far from an exact science and it isn't my role to value Mrs S' car. I'm just looking to see if First Central has acted reasonably in providing a fair market value of her car and, overall, I think its valuation wasn't fair.

Ultimately, the policy requires First Central to compensate Mrs S, the policyholder, for the market value of her car. The policy defines market value as *'The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss. This may not be the same price you originally paid for your car or the value you declared on the Statement of Fact.'*

In assessing what constitutes a fair value we generally expect insurers to review relevant guides to motor valuations – which is also our starting point for most valuation complaints. And I've looked at the available guides to assess whether First Central's offer is fair and reasonable. I have reviewed four guides, which gave values of £11,676, £11,795, £11,390 and £12,942. And looking at the valuations produced by the guides, I'm not persuaded that First Central's starting valuation offer of £11,869 (before deducting 20% as Mrs S' car was previously declared a total loss) is fair.

This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. First Central's offer sits towards the lower of the values produced, but it hasn't shown why its offer is fair, or that Mrs S can replace her car with a similar one for the amount offered. And it hasn't responded to the Investigator's view so I can't say that this position is unfair or if it disputes his findings.

In these circumstances, to be satisfied First Central's offer represents a fair valuation, I'd expect to have been provided with other evidence (for example, adverts for cars for sale around the time of the loss or expert reports) to support that a lower valuation point is appropriate. I'd need to be satisfied that this evidence is relevant and persuasive before accepting that a lower valuation should be used.

I know Mrs S has suggested that her car is worth a lot more, but she hasn't provided any evidence in support of her position. And as her car was previously written off there would always be a reduction in the overall value of her car as it has previously been written off. Given this, I think First Central's deduction of 20% feels fair as her car would clearly have sold for less than a car that hadn't been written off previously. But this should be from the higher initial value of £12,942 meaning that First Central should pay Mrs S £10,354.

So, as First Central haven't provided any other evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate or engaged with the position outlined by our Investigator, and to avoid any detriment to Mrs S, the highest valuation produced by the guides is my starting point. And considering the overall variation of values produced, and the lack of other evidence provided, I consider that a more appropriate fair market valuation would be £10,354 less the policy excess. And First Central should pay 8% simple interest for the time Mrs S has been without the shortfall as she has been without the money owed.

My final decision

It follows, for the reasons given above, that I uphold this complaint.

I require First Central Underwriting Limited to pay Mrs S £10,354 as the market value of her car and 8% simple interest on any shortfall from the date of the interim payment until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 9 August 2024.

Colin Keegan
Ombudsman