

The complaint

Mr S complains about the amount First Central Underwriting Limited offered him for his car when it was written off following an accident.

What happened

In November 2023 Mr S's car was damaged in an accident so he made a claim under the insurance policy he held with First Central. They accepted his claim and treated his car as a total loss. They initially offered him £22,000 for his car, but later increased their offer to £25,000.

Mr S rejected both offers as he'd bought the car for £30,000 in September 2022, and he wasn't able to find an equivalent car for less than £27,500. And as First Central weren't prepared to increase their offer he raised a complaint.

First Central didn't uphold Mr S's complaint. They said that in valuing his car they'd followed the guidelines provided by our service to ensure that a fair valuation was reached. They said they'd looked at the three guides we use, CAP, Glass's and Percayso which provide up to date sold vehicle valuations which are constantly updated to reflect market values.

They also said that in addition to using the guides their engineers will assess the current marketplace for the guides. Cars often sell for less than advertised prices and small differences in mileage, years of registration, model type and condition can significantly affect the value. So as adverts are based on the asking price they rarely provide sufficient detail for a like for like comparison.

The guide prices given by the guides were £22,523 for CAP, £23,750 for Glass's and £25,144 for Percayso. The average of these figures is £23,850 so First Central said they considered their offer of £25,000 to be fair.

Mr S was unhappy with First Central's response and complained to our service. Our investigator considered the case and said Mr S's policy required First Central to pay him the market value for his vehicle. And his policy defines this 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."

Looking at the values produced by the valuation guides our investigator said these showed some variance, but First Central's offer was positioned close to the highest valuation. And as Mr S hadn't provided any evidence to persuade her a valuation outside the guides was more appropriate, she considered their offer to be fair and reasonable.

In response to our investigator's opinion Mr S provided a number of adverts which he asked her to consider. Our investigator considered these and provided a further opinion. In this she said that Mr S had provided adverts relating to four very similar vehicles priced between

£28,000 and £29,000.

She said she'd done her own research and found one of the same vehicles Mr S had found, which closely matches his vehicle for £26,500. This vehicle had clearly been reduced from £28,000 to £26,500. And she found a similar vehicle on sale for £25,500. She also said these vehicles don't come up for sale that often, so are hard to value, but her research supported First Central's valuation.

Mr S responded to our investigator's further opinion saying that the fact that the vehicle he'd found for £28,000 had been reduced to £26,500, supported his claim that he couldn't find a similar replacement vehicle for £25,000. And the other vehicle she'd found for sale for £25,500 was a 2018 (18) plate, rather than a 2018 (68) plate as his vehicle was.

Having considered this our investigator provided a further opinion in which she said that First Central had offered Mr S £25,000 the highest figure provided by the industry guides. This is what we expect them to do unless adverts suggest a lower figure should be used.

She also said that there aren't many like for like vehicles for sale so there are only a limited number of adverts to consider. She'd found a similar vehicle for sale with lower mileage than his but six months older. Mr S had provided an advert for a very similar vehicle on sale for £27,500. So it's clear that similar vehicles are being sold for between £25,000 and £27,500.

And she said the industry price guides are the starting place for determining a value. A dealer may price a vehicle higher than the guides, but accept a lower offer, so she didn't think it was fair to ask First Central to increase their offer based on one or two adverts. And as First Central had already offered the highest value suggested by the guides she felt they'd acted fairly.

Mr S didn't accept our investigator's opinion and the case has come to me for a 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.

First Central have a responsibility to handle claims promptly and fairly and they shouldn't decline a claim unreasonably. They've accepted Mr S's claim and offered what they consider to be a fair market value for his vehicle.

My role is to consider if First Central have acted fairly and reasonably and have offered Mr S a fair market value for his vehicle that is in line with his policy terms and conditions. To do this I've considered various trade valuation guides and the additional information provided by Mr S and First Central.

I've set out above the definition of market value given in Mr S's policy.

First Central have provided details of the guide valuations they used to value Mr's car, and I can see that the correct vehicle information has been used for these guides, so I'm satisfied that the values obtained which range from £22,523 to £25,144 are correct. When Mr S disputed their initial offer of £22,000 First Central obtained an engineer's valuation report. This included a further valuation from Autotrader of £21,000.

The engineer stated the following

"My approach to a vehicle valuation is to reflect accurately the market value of the vehicle

prior to the incident. Our starting point is the three available guides Glass's, CAP and Percayso the industry benchmark. The guides are adjusted to reflect the vehicles age, mileage and condition as defined by the guides. Our process is aligned to the approach published by the Financial Ombudsman Service and looks for accuracy and fairness in the valuation and they look for a reasonable assessment of the 'Market value.'

I have considered all the above guides taking into consideration any optional extras and place the value of this vehicle at £25,000 subject to excess."

Our approach to valuations has evolved. First Central have used the guides our service considers and obtained an engineer's report. Based on the report they obtained they offered Mr S £25,000, which is £144 less than the highest value provided by the guides.

Mr S has provided adverts to support his belief that his car is worth up to £29,000. The adverts provide very limited information about the vehicles apart from their mileage and age. Most of the adverts relate to vehicles that are newer than his or have significantly lower mileage.

Our investigator found two adverts for two vehicles of a similar age to Mr S's, one for £25,500 and the other for £26,500. Both of these had significantly lower mileage than Mr S's car and one was the same car Mr S had found for sale at £28,000, which had been reduced to £26,500.

There is one advert Mr S has provided relating to a vehicle of a similar age and almost the same mileage on sale for £27,500. But given the lack of vehicle specifications I'm not persuaded that this represents a fair value for his vehicle.

First Central's offer to Mr S was £144 less than the highest valuation provided by the guides. And when he disputed their initial valuation they obtained an engineer's report which valued his car at £25,000. This is the offer they made and I've not seen any evidence that persuades me this offer wasn't fair and reasonable.

My final decision

For the reasons set out above my final decision is that I don't uphold Mr S's complaint about First Central Underwriting Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 September 2024.

Patricia O'Leary
Ombudsman