

The complaint

Mrs K complains about the settlements that Ageas Insurance Limited offered her for the total loss of her three cars following a claim made on her motor insurance policy.

What happened

Mrs K's cars were damaged by vandalism shortly after she had bought them, and she made a claim on her policy. Ageas offered her amounts similar to what she had paid for them in settlement of her claim. But Mrs K was unhappy with this. She thought she couldn't replace her cars for these amounts as shown by adverts.

Our Investigator didn't recommend that the complaint should be upheld. She thought Ageas should have based its settlements on what it would cost Mrs K to replace the cars at the date of loss. She considered the adverts provided by both parties and engineering evidence provided by Ageas. And she thought Ageas' settlement offers were fair and reasonable as they took into account the market values and the pre-loss conditions of the cars.

Mrs K replied that the settlements wouldn't be enough to buy replacement cars in the current market. She provided further adverts showing similar cars to her own advertised at higher prices. She said this matter was causing her stress. Mrs K 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 K wants a fair settlement for the loss of her cars. She said she'd seen similar cars advertised for much higher prices and so she was disappointed with Ageas' offer. She said she needed to replace the cars to establish a business.

Mrs K's policy provides for the cars' market values in the case of their total loss. We usually consider this to mean the cost of replacing a car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened.

We don't provide valuations for cars but look to see 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. This is particularly the case where the cars are specialist, as in the case of Mrs K's cars. 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.

Mrs K lately provided further examples of cars recently sold at higher prices. But her policy provides for the cars' market values just before the date of loss. And so I can't consider subsequent increases in prices.

Our Investigator thought Ageas' settlement offers were fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in specialist trade guides we use for cars of the same make, model, age, mileage, and condition as Mrs K's cars at the date of their loss.

Mrs K provided adverts for similar cars advertised at higher prices. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices. But I have considered these and looked to see where the advertised cars are identical to Mrs K's. And I've also discounted adverts where the car has yet to be sold as this could indicate that the car is over-priced.

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.

For Car 1, Ageas had provided a valuation of £10,000. Mrs K provided an advert for a similar car for sale at £19,000, but this car hadn't sold indicating that it may be over-priced. The specialist trade guides provided valuations between £13,400 and £11,000 for a car in a good condition.

Ageas's engineer inspected the car and said it was between average and fair condition, giving a value of £9,962. Ageas also researched the market. And it found examples of similar cars sold for slightly lower prices than its valuation. So I'm satisfied that Ageas' offer for this car was fair and reasonable as it took into account the car's condition and I don't require it to increase this.

For Car 2, Ageas offered £4,800. Mrs K provided an advert showing a similar car for sale at £9,500. The car is very similar to Car 1, and I think Ageas reasonably set a base value for it at £10,000. But its engineer inspected the car and found faults that he estimated would cost over £10,000 to repair. Our approach where there is pre-existing damage is to divide the repair cost by two and deduct this amount from the settlement. So I think it was fair and reasonable for Ageas to reduce the settlement to £4,800.

Mrs K said some damage that Ageas said was pre-existing could have been caused by the vandalism. But I haven't seen any expert professional evidence to support this. I note that the vandalism was mainly scratches to the paintwork and so I'm not persuaded that mechanical damage could have been caused during the attack.

For Car 3, Ageas offered £6,000 while Mrs K provided an advert for a similar car for sale for twice this amount. The specialist guides valued the car between £6,000 and £6,500. Mrs K bought the car for £6,000. Ageas's engineer inspected the car and confirmed this valuation. So I'm satisfied that Ageas' valuation was fair and reasonable.

And so I agree that Ageas's settlement offers for the three cars were fair and reasonable as they were made in keeping with our approach and the policy's terms and conditions. I don't require it to increase them.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 26 August 2024.

Phillip Berechree
Ombudsman