DRN-4895912

Financial Ombudsman Service

The complaint

Mr B has complained about esure Insurance Limited. He isn't happy about the valuation of his car after it was deemed a total loss following a claim under his motor insurance policy.

What happened

Mr B made a claim under his motor insurance policy and his car was deemed a total loss. When esure looked to settle the claim Mr B wasn't happy with the valuation of his car.

esure looked to value Mr B's car after it was written off by looking at three of the various trade valuation guides in order to gauge the market value of his car. It offered Mr B £19,620 which was the average of the three guides it looked at and below the highest guide price it found. When Mr B complained to esure about this, as he believed his car was worth about £25,000, it maintained its position that its offer of was a fair market value.

Our Investigator looked into things for Mr B and eventually upheld his complaint. He looked at four of the motor trade valuation guides available for Mr B's car from around the time of claim and thought the fairest thing to do in this instance was to pay Mr B the highest of the trade guide valuations he found (£21,683). This was because he didn't think esure had provided sufficient evidence to show that a lesser valuation was fair.

esure went on to provide some adverts from around the time of loss that it felt supported a lower valuation. But when our Investigator looked at these he wasn't persuaded. This was because there were also adverts for around and above the figure he had suggested (£21,683)

As esure still didn't accept the position outlined the matter has been referred 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 Mr B'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 Mr B's car. I'm just looking to see if esure has acted reasonably in providing a fair market value of his car and, overall, I think its valuation wasn't fair.

Ultimately, the policy requires esure to compensate Mr B, the policyholder, for the market value of his car. The policy defines market value as *'the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including; Glass's, Parkers, Cazana and CAP. This may not be the price you paid when you purchased the car.'*

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 esure's offer is fair and reasonable. I have reviewed four guides, which gave values of £17,095, £19,180, £20,529 and £21,683. And looking at the valuations produced by the guides, I'm not persuaded that esure's offer of £19,620 is fair.

This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. esure's offer sits towards the lower of the values produced by the guides and two are higher, but it hasn't shown why its offer is fair, or that Mr B can replace his car with a similar one for the amount offered.

In this instance esure has produced a few adverts which it feels supports its position which are below the valuation it offered originally (£19,620). However, as our Investigator highlighted there are also adverts that support the highest of the guides, so it is difficult to be persuaded by esure's position here and say that a lower valuation is fair.

Ultimately, as esure haven't provided strong enough evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate, and to avoid any detriment to Mr B, the highest valuation produced by the guides is my starting point. So, 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 £21,683. And esure should pay 8% simple interest for the time Mr B has been without the shortfall as he has been without the money owed.

My final decision

It follows, for the reasons given above, that I uphold this complaint. I require esure Insurance Limited to pay Mr B £21,683 as the market value of his 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 Mr B to accept or reject my decision before 20 August 2024.

Colin Keegan
Ombudsman