

The complaint

Mrs W complains about the settlement she's been offered by esure Insurance Limited (Esure) after she made a claim under her car insurance policy.

What happened

Mrs W's car was stolen so she made a claim to Esure, her car insurance provider. Mrs W's vehicle wasn't recovered after the theft.

Esure said that having checked trade guides, the market value of Mrs W's car was £50,168 so they offered this in settlement of her claim (before relevant deductions such as the excess).

Mrs W complained to Esure that this wasn't sufficient as she said it wasn't enough to buy a similar vehicle. Esure maintained their settlement offer was fair.

As Mrs W remained unhappy with the market value placed on her vehicle by Esure, she approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint. She checked additional trade guides to those relied on by Esure and obtained a bespoke valuation from one of the providers. This produced some higher valuations than the settlement offered by Esure.

The investigator didn't think Esure had sufficiently demonstrated a lower valuation was a fairer settlement than the higher valuations she obtained. So, she recommended Esure pay an additional £3,432, with 8% simple interest added to the additional amount due.

Esure didn't agree and asked for a final decision from an ombudsman.

I reached a slightly different outcome to our investigator, so I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I’m minded to reach a slightly different outcome to our investigator, so I’m issuing a provisional decision to give both parties an opportunity to comment on my initial findings before I reach my final decision.

Mrs W’s stolen car wasn’t recovered. The terms of Mrs W’s policy outline that in the event of a claim, the most Esure will pay is up to the market value.

Market value is defined in the policy as:

“The market value is 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 and CAP. This may not be the price you paid when you purchased the car.”

Esure calculated the market value as £50,168. When determining this, they relied on trade guides Glass’s, Percayso and CAP. These gave valuations of £47,630, £49,736 and £50,600 respectively. Esure discounted the lowest valuation and based the settlement on the average of the two remaining valuations, which totalled £50,168.

Mrs W doesn’t think this is a fair settlement based on similar vehicles for sale, as she says this isn’t sufficient to replace her vehicle.

Valuing a vehicle isn’t an exact science. When considering disputes about vehicle valuations, as a starting point, we take into account what the different industry trade guides say the market valuation of a vehicle is. We also take into account any other available information.

The guides we use as a starting point are CAP, Glass’s, Autotrader and Percayso. And we consider the safest way to ensure a consumer receives the correct replacement cost (market value) is to make sure the insurer bases its settlement on the highest one. Or – if it doesn’t – make sure the insurer has provided evidence to show a valuation lower than this is fair.

As mentioned, Esure used Glass’s, CAP and Percayso. They then averaged the higher CAP and Percayso valuations which resulted in Esure determining the market value as £50,168.

Our investigator checked Glass’s and Percayso herself, she also checked Autotrader – which Esure hadn’t. The investigator obtained the following valuations:

- *Glass’s £47,630*
- *Percayso £50,531*
- *Autotrader £52,112*

The investigator also obtained a bespoke valuation from CAP. This was because CAP was able to provide a view of the 'used values' of some of the optional extras. The investigator recommended Esure should increase the settlement in line with the highest of the trade guides, which was the bespoke CAP valuation - £53,600, as she wasn't persuaded it had been shown by Esure that a lower value was fairer than this.

As outlined, valuing a vehicle isn't an exact science. To be persuaded that a lower valuation than that produced by the highest of the trade guides is a fair reflection of the market value, I'd need to be satisfied that the evidence provided by Esure supported that. However, Esure hasn't persuaded me this is the case. Esure has also relied on an average of two guides, which, as a starting point, isn't the general approach of this service when considering valuation disputes.

As I'm not persuaded Esure has demonstrated a lower valuation is fairer, unless anything changes as a result of the responses to my provisional decision, I'll be directing Esure to increase the market value to the highest of the trade guides. Our investigator said this was £53,600 based on the bespoke valuation from CAP.

However, when reviewing the valuations our investigator obtained, I've noticed she has made a mistake when relying on the CAP bespoke valuation. This is because the CAP bespoke valuation was taking into account the 'used values' of some optional extras, and there were incorrect prices for the 'new values' of two of the optional extras, which then impacts the subsequent 'used values'.

The 'new prices' for the technology pack and visibility pack, taken into account when calculating the 'used prices', was £3,995 and £1,350 respectively. Whereas the 'new prices' for these packs was actually £2,095 and £650. And these packs were already included in the original specification for the base valuation from CAP, so didn't need to be added. So, this correction decreased the CAP bespoke valuation (including the other optional extras correctly included) from £53,600 to £51,500.

However, correcting this actually means CAP is no longer the highest valuation. Instead, this is Autotrader. But the same principle applies as outlined above, Esure hasn't provided sufficient evidence that persuades me a lower amount than the highest trade guides – £52,112 from Autotrader – is a fairer settlement.

Therefore, unless anything changes as a result of the responses to my provisional decision, I'll be directing Esure to increase the market value to the highest of the trade guides – £52,112 (before relevant deductions such as the excess).

As Mrs W has been deprived of funds she otherwise should have had, unless anything changes as a result of the responses to my provisional decision, I'll also be directing Esure to add 8% simple interest to the additional settlement amount due from the date of the previous settlement payment to the date of payment of the remainder."

So, I was minded to uphold the complaint and to direct Esure to:

- Increase the market value to £52,112 (before relevant deductions such as the excess) and pay Mrs W the further amount due as a result of this.
- Add 8% simple interest to the additional settlement amount due from the date of the previous settlement payment to date of payment of the remainder.

The responses to my provisional decision

Mrs W responded and said she was happy to accept the market value figure I outlined in the provisional decision - £52,112.

Esure responded and said they still weren't persuaded a change in the market value was the correct outcome, but for different reasons. Esure said that their settlement offer wasn't significantly different to the new figure outlined in the provisional decision, so they didn't think the outcome should be changed.

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.

And I've thought carefully about the provisional decision I reached and the responses to it. Having done so, my final decision remains the same as my provisional decision and for the same reasons.

Esure has said that they don't think the difference between the original offer they made (£50,168 before relevant deductions) and the revised amount I said in my provisional decision was a fair market value (£52,112 before relevant deductions) is a significant enough difference to mean it should be changed. Esure also referred to our website and an example of what might be a 'significant' difference. However, our website is wider general information about how we broadly look at cases, and it does seem that Esure has referred to one part of a note in isolation. And I should also point out that the difference here is just under £2,000, which is a not an insignificant amount.

But in any event, each case is considered on its own merits. When reaching my decision on Mrs W's case, I've taken into account all the information and evidence available. And I'm satisfied I've reached a decision which is fair and reasonable in all the circumstances of the case - which is my role as an ombudsman.

I explained in my provisional decision how I reached the conclusions I did. In summary, Esure had averaged two guides to reach what they said was the market value - which isn't the approach of this service. Our investigator also made an error when obtaining a bespoke valuation and I didn't think what she had recommended was fair either, as it was higher than it otherwise should have been due to the error.

So, I considered all the available trade guide valuations, including Autotrader, which Esure hadn't checked when offering settlement to Mrs W. And Autotrader was the highest of those. As explained in my provisional decision, to be persuaded that a lower valuation than that produced by the highest of the trade guides is a fair reflection of the market value, I'd need to be satisfied that the evidence provided by Esure supported that. However, Esure hasn't persuaded me this is the case.

Therefore, as nothing provided in response to my provisional decision has led me to reach a different conclusion, my final decision remains the same as my provisional decision, and for the same reasons.

My final decision

It's my final decision that I uphold this complaint and direct esure Insurance Limited to:

- Increase the market value to £52,112 (before relevant deductions such as the excess) and pay Mrs W the further amount due as a result of this.
- Add 8% simple interest* to the additional settlement amount due from the date of the previous settlement payment to date of payment of the remainder.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 15 August 2024.

Callum Milne
Ombudsman