

The complaint

Mr M is unhappy with the service provided by Acromas Insurance Company Limited (Acromas) following a claim he made on his car insurance policy.

What happened

Mr M took out a car insurance policy with Acromas in May 2023. The policy booklet explained in the event of a claim Acromas would pay the *'market value.'* The definition of *'Market value'* explained *'The cost of replacing your vehicle with a vehicle of the same make, model, specification, age, mileage and condition as your vehicle was immediately before the loss or damage you are claiming for.'*

In September 2023 following an incident, Mr M contacted Acromas to make a claim on his car insurance policy. The engineer's report determined that Mr M's car was a total-loss, and provided a pre-accident value (PAV) of £15,600. This was determined by using the value returned from the trade guide it had considered, (Glass's £15,760). Mr M was unhappy with the PAV of £15,600 for his car, and complained to Acromas.

Acromas paid Mr M £50 for the poor service provided when dealing with Mr M's claim. But it didn't increase the PAV placed on Mr M's car. Mr M didn't accept Acromas's offer to put things right, and brought his complaint to this service for investigation.

The investigator checked three other trade guides that this service would usually consider when determining complaints about car valuation. These trade guides returned valuations of £15,450 (CAP), £16,190 (Percayso), and £16,308 (AutoTrader). Acromas provided additional evidence to this Service saying it had found adverts for cars on sale similar to Mr M's, and they were on sale for less than the PAV offered for Mr M's car. Acromas said the PAV it had offered was fair. The adverts provided by Acromas are summarised in the below table (for comparison, I have included Mr M's car):

	Price	Mileage	Year	Type
Mr M's car	15,600 (Acromas PAV)	24,586	2017	Auto
Advert A	15,199	13,800	2017	Auto
Advert B	13,498	33,233	2017	Manual
Advert C	13,990	44,132	2017	Manual
Advert D	12,299	43,478	2017	Manual

The investigator considered the evidence and said the PAV of £15,600 for Mr M's car was fair and reasonable. The investigator didn't ask Acromas to do anything in settlement of Mr M's complaint. Acromas agreed with these findings. Mr M disagreed with these findings saying *'I checked the market from October 2023 onwards and could not find a similar [car] in the same condition and same mileage for sale for less than £19,999, and neither will you'*. As the complaint couldn't be resolved, it has been passed to me for decision.

I issued a provisional decision on Mr M's complaint. This is what I said about what I'd 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've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.

I've looked at the trade guides that we would usually refer to when dealing with complaints about market valuation. Trade guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. We expect insurers to use trade guides when valuing a car for claims purposes. Based on the circumstances of Mr M's complaint, I think it's fair that Acromas used the trade guides here.

I've summarised the values returned from the different trade guides below:

	Acromas	This Service
Glasses	15,760	15,760
CAP	15,538	15,450
Percayso	<i>n/a</i>	16,190
AutoTrader	<i>n/a</i>	16,308
B offer	15,600	

The values returned from the additional two trade guides (AutoTrader and Percayso) are both higher than the values returned from the trade guides used by Acromas when assessing Mr M's claim.

Given the recent competitive market for second-hand vehicle sales, the Financial Ombudsman Service feels it's fair to rely on the highest valuation returned by the motor valuation guides. Here that is £16,308. That is unless the insurer can show there is good reason to think a lower value/its lower value is fair.

I've carefully considered the adverts provide by Acromas in support the PAV offered to Mr M. I've seen that adverts B to D show cars with significantly higher mileage than Mr M's car. I'm satisfied that mileage is a significant contributing factor when determining what a fair and reasonable market value should be based on. Because of the high mileage of the cars showing in adverts B- D, I don't agree that these comparative examples relied on by Acromas are a like for like comparison of Mr M's car. So I don't think it's fair to rely on them.

The car which can reasonably be compared is from advert A. But I'm mindful that this advert represents only one other car on the market found by Acromas, from the four examples it has provided. We would also place greater weight on examples that are as close as possible to the date of the incident. But I haven't seen any evidence to suggest that the examples Acromas has provided are. It seems more likely that these are reflective of the current market.

Based on the evidence I've seen, I think the fair and reasonable thing to do is to pay Mr M the full market value of his car less the policy excess. Acromas will only be directed to pay 8% simple interest on the difference between its settlement offer of £15,600, and the higher valuation. This interest is to recognise the time Mr M has been without the money owed.

putting things right

For the reasons set out above, I intend to uphold this complaint. I intend asking Acromas Insurance Company Limited to settle the complaint as follows:

1. Settle Mr M's motor insurance claim based on a valuation of £16,308 minus the policy excess. This figure will represent the final settlement amount; and
2. Pay interest on the difference between the interim payment, and the final settlement amount. The interest should be calculated from 29 September 2023 (the date of Acromas's initial payment request) to the date of payment. The rate of interest is 8% simple interest per year*

**If Acromas Insurance Company Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it has taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

my provisional decision

I am minded to ask Acromas Insurance Company Limited to settle Mr M's complaint as detailed above.

The responses to my provisional decision

I invited both Mr M and Acromas to respond to my provisional decision.

Mr M didn't respond to the provisional decision. Acromas disagreed with the provisional decision. Acromas's comments included:

- Acromas had '*reached a valuation that is in line with the trade guides consulted as it is within 4.5% of the higher offer suggested by [the] provisional decision.*' Acromas said it didn't consider this to be a material difference.
- '*...it is clear that CAP and Glass's were in line, based on the sold data, while Percayso and AutoTrader were higher based on the advertisement values. This supports our position that there is a difference in the way that the guides function.*'
- '*We did not rely on [adverts B-D] to lower the value offered to the customer, but more to evidence the fact that the £15,600 offered by us was above any advertisements identified for similar cars, including Advert A, which had a lower mileage.*'

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.

It's not disputed that Acromas used two trade guides to determine what a fair pre-accident value (PAV) for Mr M's car should be. And the trade guides it used are well-regarded within the industry. However given there are different methods used by each trade guide, we're satisfied it's best to use multiple guides. We usually refer to the four trade guides I explained in my provisional decision. This allows us to consider the different methods used by each trade guide and reduces the chance of consumer detriment.

Acromas says the PAV offered '*is in line with the trade guides consulted as it is within 4.5% of the higher offer suggested by [the] provisional decision.*' I accept that determining what constitutes a material difference isn't an exact science. But I think Acromas may have made a different PAV offer to Mr M if it had consulted all four trade guides at the start of the claim.

And although the difference of 4.5% isn't alarming, I still think it's enough to say that Mr M would be caused detriment by not receiving the highest of the values returned from the four trade guides. In reaching this decision I've also considered what this would mean in monetary terms for Mr M, and his ability to purchase a like for like car.

Acromas say the adverts provided to this service were not used to inform the PAV offered to Mr M, but instead *'evidence the fact that the £15,600 offered by us was above any advertisements identified for similar cars, including Advert A, which had a lower mileage'*. I've considered Acromas's comments. But I don't think this evidence persuades me that it would be fair and reasonable to depart from asking Acromas to pay the highest trade value returned. The adverts supplied by Acromas are not from the time of sale and vary significantly in some cases. So although I take Acromas's point about the reason for supplying them in the first place, I don't think the adverts support Acromas's position to offer less than the highest value returned from the trade guides.

I've carefully considered Acromas's submissions. But I don't think these comments materially change the outcome of Mr M's complaint, or my direction for putting things right. So I'll be directing Acromas to put things right as set out in my provisional decision.

Putting things right

For the reasons set out above, I uphold this complaint. Acromas Insurance Company Limited is directed to settle the complaint as follows:

1. Settle Mr M's motor insurance claim based on a valuation of £16,308 minus the policy excess. This figure will represent the final settlement amount; and
2. Pay interest on the difference between the interim payment, and the final settlement amount. The interest should be calculated from 29 September 2023 (the date of Acromas's initial payment request) to the date of payment. The rate of interest is 8% simple interest per year*

*If Acromas Insurance Company Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it has taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons provided I uphold this complaint. Acromas Insurance Company Limited must follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 August 2024.

Neeta Karelia
Ombudsman