

The complaint

Mr O and Mrs S complain that Advantage Insurance Company Limited didn't pay them enough for their written-off car when they made a claim on their motor insurance policy.

What happened

Mr O and Mrs S's car was written-off in a non-fault accident on 5 October 2023. Advantage eventually offered them £27,976 for it. They said they couldn't replace the car for that sum with one from *the manufacturer's approved used car inventory* (from where they'd bought the written-off car six months previously, for £33,000). They thought their car's optional extras added over £4,000 to its value. Advantage said it had used the national motor valuation guides and adverts to decide a fair sum to offer them for the car.

As Mr O and Mrs S weren't happy with Advantage's explanation, they complained to us. One of our Investigators said he thought there was no evidence that Mr O and Mrs S had paid more for the extra options on their car – or that the extras added value. He said one of the guides said they *didn't* add value - and that they would have depreciated over time.

The Investigator noted that Mr O had provided adverts from the inventory showing similar cars to his advertised at £35,000 to £36,000, but he said they were 2020 models (Mr O's car was a 2019 model) and came with lower mileage. Although he disagreed with the valuation Mr O and Mrs S had put on their car, he thought Advantage should pay them £28,806 – the top sum shown in a valuation guide that Advantage hadn't included in its calculations. The Investigator said it hadn't justified paying less than that sum. But Advantage pointed out that it had found adverts for cars similar to the car written-off car (with lower mileage) on sale for less than it had offered Mr O and Mrs S. The Investigator then decided that Advantage's offer was fair and reasonable.

Mr O provided a lengthy response to the Investigator's revised view. In essence, he repeated that in October 2023, similar cars on the inventory were priced at up to £36,000, including the value of optional extras and warranties. He said Advantage had to take these into account, as they reflected the car's market value, and the sum needed to replace the car. Mr O said the national guides were deficient as they didn't include value for the car's options, probably because they were 'cutting-edge', not industry standard. And he said Advantage's offer for the car meant it had lost £5,000 in value in six months. Later, Mr O provided examples of 11 cars manufactured in 2020 and 2019, which he said was to show that the difference in price between cars a year apart in age was only around £1,500.

As there was no agreement, the complaint was passed 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.

We don't value cars. We just review whether an insurer has acted fairly and reasonably in doing so. And in my opinion, Advantage offered Mr O and Mrs S a fair price for their car.

We think the best way for an insurer to establish a car's market value is to look at the valuations set out in the national motor valuation guides, as they're based on extensive research about the likely selling prices of cars nationwide. Normally, we'd expect an insurer to pay the top valuation given in the guides, unless it can show why that wouldn't be appropriate, based on adverts or other relevant evidence.

I think many of the features in Mr O and Mrs S's car were standard to the model. Mr O has shown that the current cost of two extra features on his car is £4,500, but I think that would only apply to a new car – and the value of extra features always depreciates over time. In my opinion, it was reasonable for Advantage to rely on the evidence provided by one of the guides that showed the extra options don't add anything to the price of a second-hand car. I've seen evidence of the full depreciation of the value of those features – and I don't think Mr O and Mrs S have shown that they paid more for them anyway. Although they paid a high price for the car, there's nothing to suggest that's the case.

Advantage didn't offer Mr O and Mrs S the top valuation from the trade guides, but I think it has justified not doing so. It found adverts showing similar cars to the one owned by them (with the two extra features, and with lower mileage) for sale at less than the sum it had paid for the written-off car. I think those adverts are persuasive and in line with the evidence shown in the valuation guides, so I think it was reasonable for Advantage to rely on them.

The cars for sale on the inventory in October 2023 highlighted by Mr O showed much higher prices than those in Advantage's adverts and in all the valuation guides. But in his response to the Investigator's second view in July 2024, the 11 cars Mr O highlighted (which had the extra features Mr O's car had) were much lower priced. The average price of the 2019 models was £25,266 (less than the sums shown in the valuation guides). The 2020 cars' average price was £26,660. Advantage paid Mr O and Mrs S more than the price quoted for any of the cars in Mr O's list.

I don't think Mr O and Mrs S have shown that Advantage acted unreasonably in the way it valued their car. I think the valuations and adverts it relied on took into account its standard and extra features. Some consumers prefer to buy from a manufacturer's approved list of cars in order to have its warranties, which may mean paying much more than buying a similar car elsewhere would do. It's for a consumer to decide what's best for them. But in my opinion an insurer is entitled to rely on information about the value of similar cars from a range of sources in order to establish a car's likely market value, as Advantage did here.

I know Mr O and Mrs S will be disappointed with my decision, but as I think Advantage acted fairly and reasonably, I can't uphold their complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the Financial Ombudsman Service's rules, I must ask Mr O and Mrs S to accept or reject my decision before 25 November 2024.

Susan Ewins
Ombudsman