

## **The complaint**

Mr D complains about the settlement that First Central Underwriting Limited offered him for the total loss of his car following a claim made on his motor insurance policy. He's also unhappy with its delays in settling the claim and wants compensation for the costs he incurred because of this.

## **What happened**

Mr D's car was damaged in an accident, and he made a claim on his policy. First Central offered him £6,361, less the policy excess, in settlement of his claim. But Mr D was unhappy with this and with the level of service he received. He thought he couldn't replace his car for this amount. After Mr D's complaint came to us, First Central agreed that there had been service failings and it offered Mr D £300 compensation for this, but it thought its settlement offer was fair.

Our Investigator recommended that the complaint should be upheld. She thought First Central hadn't reasonably based its settlement for the car's market value on the motor trade guides we use. She thought it hadn't justified its offer that was less than the highest of the valuations provided by the motor trade guides. So she thought it should increase its offer to this amount, adding interest to the difference. But she thought First Central's offer of £300 compensation for its service failings was fair and reasonable.

First Central replied providing recent examples of cars similar to Mr D's car advertised for sale at amounts close to its settlement offer. It said Mr D could replace his car for this amount. First Central 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 Mr D wants a fair settlement for the loss of his car. It's now well over a year since his accident and I can understand that he would want this matter resolved. Mr D said he had to borrow money to add himself to a family member's insurance, and he wants this amount reimbursed.

Mr D's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet as:

*"the cost of replacing your car with one of a similar make, model, age, mileage and condition based on the market prices at the time of the accident or loss. This may not be the same price you paid for your car or the value you declared on the Statement of Fact".*

The Investigator has explained this service's approach to car valuations. 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. 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.

Our Investigator thought First Central's settlement offer wasn't fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor trade guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr D's car at the date of its loss.

First Central later provided adverts for similar cars advertised at similar prices to its offer. I have considered these and looked to see where the advertised cars are identical to Mr D's. But these adverts were placed a year after Mr D's loss. So I'm not satisfied that they show that First Central's offer was in keeping with advertised prices at the time. And so I've relied on the valuations provided by the motor trade guides as they take into account the date of loss.

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.

First Central had provided a valuation of £6,361, which was less than the highest of the valuations provided by the guides. I'm not satisfied that First Central has provided reasonable evidence to support its lower valuation. And so I agree that First Central's offer wasn't fair and reasonable as it wasn't made in keeping with our approach and the policy's terms and conditions. And I require it to increase this to the highest of the valuations provided by the motor trade guides, £8,473.

First Central paid Mr D an interim settlement. And so I think it should pay him the difference between this and the highest valuation, adding interest as Mr D has been without his money for some time.

First Central agreed that its level of service had been poor. First Central is entitled to validate a claim and it wanted a report from the police that attended the accident to say that it wasn't taking any further action. But First Central said there had been avoidable delays of three months in the claim when it could have been proactive in pursuing a police report, but it didn't.

And First Central offered Mr D £300 compensation for this trouble and upset. I think that's in keeping with our published guidance where the impact of an error has been felt over a several months. I don't think First Central can be held responsible for the costs Mr D incurred in adding himself to a family member's policy as he may have incurred this in any case. And so I'm satisfied that First Central's compensation offer was fair and reasonable and I don't require it to increase this.

### **Putting things right**

I require First Central Underwriting Limited to do the following:

1. Increase its settlement offer for the loss of Mr D's car to £8,473 and pay him the difference between this and its interim offer.

2. Interest should be added to this amount at the rate of 8% simple per annum from the date of the interim payment to the date of final settlement†.
3. Pay Mr D £300 compensation for the distress and inconvenience caused by its handling of his claim, as it's already agreed to do.

†If First Central considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint. I require First Central Underwriting Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 November 2024.

Phillip Berechree  
**Ombudsman**