

The complaint

Mr K complains esure Insurance Limited undervalued his car when he made a total loss claim on his motor insurance policy.

What happened

In September 2023 Mr K's parked car was hit by a third party (TP) driver. He made a claim under his motor insurance policy. As he was out of the country at the time so he asked esure to deal with some nominated family members as representatives.

esure ultimately said Mr K's car was a total loss, it offered him around £6,700 as the pre-accident market value. Mr K thought his car had been worth more than that, so complained about esure's offer and its general handling of his claim. He said despite repeated requests, esure hadn't dealt with his representatives as he'd asked, and there had been unacceptable delays in the claim.

esure didn't accept its settlement offer had been too low, it said it would send a cheque for the amount, with any finance being paid off first. It said accepting that cheque wouldn't affect his ability to progress matters further.

Unhappy with esure's response, Mr K brought his complaint to the Financial Ombudsman Service for an independent review. He said esure's customer service needs improving, and compensation should be paid for the poor service he'd received. He also said esure hadn't taken account of the fact Mr K had spent around £2,500 on repairs to his car shortly before the accident. He felt those repairs would have increased the value of his car.

Having referred his complaint to this Service, esure made an offer to resolve the complaint. It said it would be willing to increase its offer of settlement for Mr K's car to £6,900. Mr K didn't accept that and so our Investigator reviewed matters. Having done so, based on the valuation guides she thought esure should increase its offer to £7,216. She also thought it should pay £150 to recognise the unnecessary frustration esure had caused in not communicating about the claim as Mr K had asked.

Esure accepted the outcome of our Investigator. It said it would re-issue a cheque to Mr K for the full amount, and it would add 8% simple interest onto the (approximately) £500 increase in the settlement figure, from the date of the total loss valuation, until the date of settlement. It agreed to pay compensation to Mr K.

Mr K didn't accept the outcome of our Investigator. In summary he said for his type of car, people always pay over the guide prices; he provided some adverts in support of his point. He didn't feel the compensation was enough for the stress esure had caused. He said esure have continued to have the funds in its account as he hasn't cashed its cheque. And if he'd taken up the offer of a courtesy car (as he was entitled to have) it would have cost esure more, which should be taken into account with the settlement figure. He said he felt a strong message needed to be sent to esure about its poor customer service.

As the matter wasn't resolved, it has come to me to decide.

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.

As this is an informal Service, I'm not going to respond to every point made or piece of evidence provided. But I'd like to reassure both parties that I have read and considered everything.

The terms of Mr K's policy say it won't pay more than the market value of the car at the time of the loss. It says the market value is based on cars of the same make or model and of a similar age, condition and mileage at the time of the accident and will be based on research from motor trade guides.

As a starting point, to ensure a consumer gets a fair value for their vehicle, our Service's approach is to start with the highest available valuations, based on the available valuation guides. esure has now agreed to pay the highest valuation guide amount, so on the face of it, its offer is fair and in line our approach.

However, this Service also takes into account other available evidence to decide if an insurer has made a fair offer. In this case, Mr K has provided adverts to support his claim that his particular type of car always sells for above the guide prices. I've reviewed those adverts, but I'm not persuaded they show the valuation guides shouldn't be relied on. Some of the adverts Mr K provided showed lower sales prices than the £7,200 now offered by esure, with one being as low as £6,750. I don't think this supports his argument that his type of car always sells for more than the guides. Some adverts did have higher sales prices, but overall, and bearing in mind that a 'sales price' isn't necessarily what a car sells for, I'm not persuaded they show the valuation guides produced an unfair pre-accident market value.

I understand Mr K spent around £2,500 on the car shortly before the loss, my understanding was this was for an engine rebuild. He says this means the value of his car would be higher. esure's engineer was of the view it wouldn't cause a significant impact to the value of the vehicle, since it had needed repairing to run. Mr K says that isn't the case because he could have gone for a cheaper repair of a second-hand car engine. I accept it's possible that his repair work might have increased the value of the car but for me to say esure should pay more, I'd have to be satisfied that was most likely. Based on everything I've seen I'm not persuaded it's been shown that esure should reasonably pay more than the highest valuation guide price. So I find £7,200 is a fair settlement amount for the car, and esure will add 8% simple interest onto the difference it offered, to what it is now paying. I consider that fair and reasonable in the circumstances.

I understand the claim has left Mr K in an unfortunate position, he had no intention of replacing the car, but through no fault of his own, the car is now a total loss. He says had he been in the country he could've benefitted from a hire car, so esure has made a saving. That may be the case, but I don't think this means esure should pay any amount it 'saved' to Mr K. The policy is to indemnify its policyholder against losses, Mr K didn't need a hire car as he wasn't in the country, so he didn't need to be indemnified for that outlay.

I've reviewed esure's handling of the claim. Mr K is unhappy it sent a cheque for the claim settlement when he wanted to dispute it, but I think this was reasonable of esure to do. This Service wouldn't expect insurers to withhold a claim settlement its policyholder is entitled to simply because there was a dispute over the amount to be paid. And I note esure made it clear Mr K could cash the cheque and still dispute the amount, including bringing the complaint to this Service.

I can see that he asked for his family to be the point of contact for the claim, that doesn't seem to have happened as Mr K expected. I accept that will have caused frustration; it should have been a simple request esure was able to accommodate. But I note Mr K wants this Service to punish esure in order to send a strong message about its customer service. As our Investigator explained, this Service doesn't fine businesses for mistakes; it isn't our role, that is the role of the regulator, the Financial Conduct Authority (FCA). However,

insurers are expected to learn from the decisions this Service makes. And so I hope that gives Mr K some comfort that esure will take on board any learnings from his experience.

Whilst I've no doubt frustration was caused to Mr K, I'm satisfied an award of £150 is fair to reflect the inconvenience caused.

My final decision

My final decision is that I uphold this complaint and I direct esure Insurance Limited to pay £7,216 for the pre-accident market value of Mr K's car.

It will need to add 8% simple interest per annum on the additional amount to be paid (i.e. the amount above its initial offer) from the date of that offer, until the date of settlement.

It will also need to pay Mr K £150 compensation.

esure Insurance plc must pay the compensation within 28 days of the date on which we tell it Mr K accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 17 October 2024.

Michelle Henderson
Ombudsman