

The complaint

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

What happened

Mr B had a car insurance policy with LV. In December 2023, Mr B contacted LV to make a claim. Mr B's car was deemed a total-loss. LV provided a final pre-accident value (PAV) of £2,700 in January 2024. This was determined by using the values returned from the trade guides it had considered. LV paid Mr B £2,000 (£2,700 less £700 for Mr B retaining the vehicle) in February 2024. Mr B was unhappy with the PAV for his car, and the service he received, so he complained to LV.

LV didn't increase the PAV placed on Mr B's car and said it followed the correct process after Mr B disputed the valuation. Mr B didn't accept LV's findings and brought his complaint to the Financial Ombudsman Service. Mr B felt he was forced into accepting LV's offer and wanted LV to base its settlement on a valuation that reflected the cost of a like for like replacement. Mr B also felt he'd been given contradictory information about when the hire car benefit would end.

Our Investigator upheld the complaint. She said LV hadn't provided sufficient evidence to support its PAV of £2,700. She recommended that LV increase the PAV to £3,163 based on the highest trade guide valuation and settle on this basis. She said she didn't think Mr B had been forced into accepting LV's offers and that he'd had the benefit of the hire car longer than he should have at no additional cost.

LV disagreed. It said the examples it had provided alongside the valuations were sufficient to show its settlement was fair. Mr B agreed with the Investigator on the matter of the PAV. But he wanted the claim recorded as non-fault and he still felt that LV's actions in not giving him time to assess his options, and in not providing a fair settlement, caused him anxiety and worry. He said he wouldn't have retained the car if he'd been offered a fair settlement and he felt that LV had unfairly inflated the repair cost estimates.

As the complaint wasn't resolved, it was passed 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.

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 has affected what I think is the right outcome.

Mr B's policy says in the event of a total loss, LV will pay the market value of the vehicle at the time of the loss. Market value is defined as the cost of replacing it with another of the same make, specification and model, taking into account the age, mileage and condition of the vehicle. The policy says LV will use motor trade guides to determine the market value.

So I've considered if LV's offer to settle Mr B's claim is fair and in line with these terms.

I've reviewed the trade guide evidence LV has provided. Trade guides are what 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 B's complaint, I think it's fair that LV has used the trade guides here.

The value returned from one of the trade guides LV used is higher than the values returned from the other trade guides it used, including the further trade guide our Investigator used. In order to minimise the risk of detriment to the insured, the Financial Ombudsman Service feels it's fair to rely on the highest valuation returned by motor valuation guides. In this case, it's £3,163. This 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 provided by LV in support of the PAV it offered to Mr B. These are a mixture of vehicles advertised privately, or for older vehicles with a higher mileage, or newer vehicles with different specification. LV itself has accepted on a number of occasions, in its communication with Mr B, that there were no like for like examples at that time, or examples with the same specification as Mr B's vehicle. This was confirmed in LV's engineer report dated 23 January 2024 where it says '*no comparable examples available in the market place*'. So I don't think it's fair for LV to rely on these adverts and I don't consider them to be sufficiently persuasive. Mr B also provided some adverts, with some examples advertised for more than the highest valuation returned by motor valuation guides. But I don't consider the examples provided by Mr B to be comparable to his vehicle.

All things considered, I think the fair and reasonable thing for LV to do is to pay Mr B the full market value of his vehicle, based on the highest valuation returned by the motor valuation guides, less the £700 agreed for Mr B's retention of the vehicle.

On the matter of retention, Mr B has said the car holds little value now and if he'd received a fair settlement at the time, he'd have opted to find a like for like replacement. I've listened to the calls between LV and Mr B when LV made its first settlement offer. During this call, the agent made it clear that the car would be categorised as 'Cat N' (the lowest salvage category) and that this would have the effect of devaluing the car. On a number of occasions after this, I'm satisfied that LV also made it clear Mr B could accept an interim settlement of the full amount offered, without it affecting his right to dispute the valuation. From what I've seen, Mr B initially refused the interim settlement based on legal advice he received elsewhere. Given the clear information provided by LV, I'm not persuaded that Mr B would most likely have rejected the option of retaining the vehicle if he'd been offered £3,163 initially.

Mr B says he was left with little time to make a decision given LV's low offer and imminent return of the hire car. The policy terms do say the maximum period a hire car would be provided is 21 days. Mr B had the benefit of the hire car from 10 January 2024 to 2 February 2024, and I'm satisfied that this was beyond the period he was entitled to under the terms. In the initial call where the return of the hire car was first discussed, the agent told Mr B the hire would normally end seven days from when LV confirms the vehicle is not going to be repaired. I'm therefore not satisfied that LV told Mr B it would be seven days from when the settlement payment was made. And, in any case, I'm satisfied that this was further clarified in a later call and that Mr B ultimately had the benefit of the hire car longer than he was entitled to under the terms. LV did also offer a hire car for a further four days, to allow Mr B more time to consider the interim payment, but he refused. I consider that LV acted fairly in offering an interim payment, in extending the original hire car period and in offering a further

four days.

Mr B wants all costs to be recovered from the third-party, without any liability on his part or any impact on his insurable status. 'Fault' doesn't necessarily mean Mr B was to blame for the incident. In this case, it can mean that LV hasn't yet recovered its costs from the other party involved. I understand that as of March 2024, the claim was being litigated, with LV maintaining that Mr B is not liable for any costs. Until that matter is resolved, and LV has successfully recovered its costs in full, LV isn't obliged to record the claim as 'non-fault', so I won't be directing LV to do so under this decision.

Mr B also felt LV's repair estimates were unfairly high, and that LV's decision to declare the vehicle a total loss was also unfair. Mr B's policy, like most other insurance policies, allows LV to have total control over the settlement of any claim. So, it was entitled to settle the claim on the best terms it thinks fit. And in relying on the geometry check, showing possible suspension damage, to reach its total-loss decision, I think LV exercised this right fairly and reasonably. I'm conscious Mr B himself has said, despite any repairs he may have arranged to the vehicle, that issues still persist.

Overall, the claim was notified at the end of December 2023, and LV made its final offer (and interim settlement offer) at the end of January 2024, having extended the hire car period and having offered a further hire car period as a gesture of goodwill. On this basis, I'm satisfied that LV progressed the claim within a reasonable amount of time. And I'm satisfied that the 8% simple interest on the difference between the settlements is fair compensation in the circumstances of this complaint.

My final decision

My final decision is that I uphold this complaint. I require Liverpool Victoria Insurance Company Limited to settle the complaint as follows:

- Settle Mr B's motor insurance claim based on a valuation of £3,163, less the £700 retention cost. This figure will represent the final settlement amount; and
- Pay interest on the difference between the interim payment, and the final settlement amount. The interest should be calculated from 26 January 2024 (the date Liverpool Victoria Insurance Company Limited first offered the interim payment) to the date of payment. The rate of interest is 8% simple interest per year*

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 October 2024.

Monjur Alam
Ombudsman