DRN-4996564

The complaint

Mr G complains that esure Insurance Limited hasn't offered a fair value for his car following it being written off after an accident.

What happened

Mr G insured his car with esure under a motor insurance policy. In March 2024 Mr G's car was damaged in an accident and esure explained the car would be written off.

esure paid Mr G £2,351 for his car, less the £600 excess and the salvage value of £612 as Mr G wanted to keep the car. esure said it used three valuation guides to arrive at the valuation figure, of £2,747, £2,540 and £2,207. This gave an average value of £2,498 from which esure deducted £147, based on its market research of similar cars for sale at £2,385, £2,275 and £1,990 respectively.

Mr G said he'd wanted to discuss the car's valuation with esure's motor engineer but wasn't given any opportunity to do so. He said esure hadn't responded to his query about retaining his car as salvage.

Mr G complained to us. Our Investigator looked at the available valuation guides to verify those obtained by esure. Those valuations were £2,750, £2,563 and £2,540 respectively. Our Investigator said it was reasonable for esure to match the highest of the trade guide valuations. He didn't think the adverts that esure had sent were like for like or persuasive evidence of the valuation of Mr G's car at the time of the accident. So he recommended that esure pay Mr G the difference between the highest trade guide valuation of £2,750 and esure's valuation of £2,351 (before deductions). So this meant esure should pay Mr G an additional £399 plus 8% simple interest.

Our Investigator thought the compensation of £75 that esure had paid Mr G for the poor claim handling was fair.

esure didn't agree with our Investigator's conclusions about its valuation and asked for an Ombudsman's review. esure said it had supplied an advert which showed the car could be bought for the valuation it had paid to Mr G, in line with our Service's expectations.

So the complaint has been passed to me for a 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.

Although I've briefly summarised the background to this complaint, I've reviewed all the evidence including esure's emails in response to our Investigator's assessment.

It's not my role to work out the exact value of an individual vehicle. I decide whether esure has applied its policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on the evidence I've seen I'm satisfied it has not so I'm upholding Mr G's complaint. I'll explain my reasons.

Where a car has been written off as a result of an accident, it's usual for the insurer to pay the consumer the market value of the car immediately before the accident. This is what Mr G's policy provides. The policy defines market value as:

> *"The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including: Glass's, Parkers, Cazana and CAP. This may not be the price you paid when you bought the car".*

We use the same guides as esure to help us decide if a settlement offer is fair when valuing second-hand cars. Having considered these guides, I note that the highest of these valuations at the time of the accident is £2,750. (esure's highest guide price was very slightly lower, but I see it obtained its valuations as at April 2024 rather than March 2024 when the accident occurred).

I understand esure has settled Mr G's claim based on the three guides and market examples. esure has used the average of the three guides as its starting valuation.

But as our Investigator has explained, we now generally expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation. This is because we typically find the guides show a range of values and we think going by the highest will ensure policy holders have received a fair offer, allowing them to replace their car with one of the same make and model and of a similar age, condition and mileage in line with the policy terms.

I've looked at the adverts esure obtained around the time of the accident. But I'm not persuaded that the adverts support its lower valuation of £2,351 based on its own policy definition of market value.

I see that one of the advertised cars (at £2,275) had a significantly higher mileage (170,000 miles) than Mr G's car so I don't consider it was a fair comparison.

The second advert (at £2,385) was also for a higher mileage car (147,324). I don't consider it a fair comparison given the higher mileage. I note the advertised sale price is slightly higher than the amount esure offered Mr G for his lower mileage car.

Only the third advert (at £1,990) was for a car with almost the same mileage (133,000) as Mr G's car. While this is lower than esure's valuation I don't consider that this advert alone supports that its valuation is a fair market value. It is significantly below the lowest of the trade guide valuations and there is no additional information about the vehicle's condition and history. esure has not provided any additional adverts to support its lower valuation.

It follows that I consider a fair outcome to this complaint is for esure to pay Mr G £399 - that figure being the difference between the highest trade value of £2,750 and the value of £2,351 it actually paid to him before the deduction of the excess and salvage value. esure should add simple interest to the £399 payment at the rate of 8% per year from the date it made the original payment of £2,351 (less deductions) to Mr G until the date it makes the payment to him.

Finally, esure accepted that its claims handling was poor. I consider its payment to Mr G of £75 compensation was fair.

My final decision

My final decision is that I uphold this complaint. I require esure Insurance Limited to pay Mr G £399, together with simple interest* on £399 at the rate of 8% per year from the date it made the original payment of £2,351 (less deductions) until the date it makes payment to him.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 26 November 2024.

Amanda Maycock
Ombudsman