

The complaint

Mr A complains about how his insurer, U K Insurance Limited trading as Advantage (Advantage), valued his vehicle as a total loss following an accident.

Any reference to Advantage in this decision includes their agents.

What happened

Mr A was involved in an accident in April 2024, which wasn't his fault. He contacted Advantage to tell them about the accident. Advantage arranged for the vehicle to be inspected by an engineer (ISL) the following week, who concluded the vehicle was a total loss. ISL valued the vehicle as a total loss at £9,330.

Mr A was unhappy at the valuation, considering it some £2,000 less than what he thought was a fair valuation of his vehicle, providing evidence and information he thought supported a higher valuation. But ISL said they wouldn't increase the valuation and passed the claim to Advantage to consider. In discussion with Advantage, Mr A said his vehicle had a full service history, leading Advantage to increase their valuation to £9,735. In a further conversation, Advantage said this valuation was higher than the figure from industry valuation guides for Mr A's vehicle.

Mr A said he'd seen a similar vehicle (older, with a lower specification but lower mileage) advertised at £10,999. He provided further evidence and information about similar vehicles advertised for sale for between £11,287 and £11,500. Advantage didn't change their valuation, so Mr A complained.

Advantage didn't uphold the complaint, saying in their final response they'd followed the correct process to value his vehicle. Advantage used industry valuation guides to provide a market valuation, based on the age, make, model and specification of the vehicle. The guide figures for Mr A's vehicle from three guides were, respectively: £9,330; £9,058; and £9,246. A fourth valuation guide didn't provide a valuation. The average of the two more consistent guides was £9,288.

Advantage noted their engineers valued the vehicle at £10,226 which was above the average of the guides and above the highest of the guide valuation – and was their final offer. Advantage added they didn't think advertised examples a reliable way to assess a vehicle's value because they reflected the seller's highest expectation and usually open to negotiation. They also thought their approach to valuing Mr A's vehicle was in line with this Service's approach to vehicle valuations.

Mr A then complained to this Service. He said the experience had been very stressful, and he'd had to spend significant time putting his case to Advantage in order to get what he considered a fair settlement. He didn't think Advantage had considered the evidence and information he'd provided, and their offer had left him considerably financially disadvantaged through no fault of his own. He wanted to be put back into the position he was before the accident, with an equivalent vehicle. He wanted Advantage to increase their valuation (offer) to enable him to purchase what he considered an equivalent vehicle, not simply what a valuation guide indicated. He'd provided Advantage with an example of an almost identical

vehicle to his own, advertised for sale at £11,500. He also provided evidence of vehicles advertised for sale similar to his own, ranging from £10,999 to £11,499.

Our investigator didn't uphold the complaint, concluding Advantage didn't need to take any action. Looking at the available industry valuation guides using the data for Mr A's vehicle provided [retail] values of: £8,925; £9,330; £9,740; and £9,745. While there was some variation, all were less than Advantage's final valuation of £10,226. So, it was fair and reasonable. While Mr A had provided other evidence and information on values, the investigator didn't find it persuasive. While Mr A's vehicle had some extras fitted, this might make the vehicle more appealing to a purchaser but not necessarily increase the market value. The cost of extras would depreciate over time and valuation guides indicated that they wouldn't impact market value of vehicles over seven years' old (like Mr A's vehicle).

Looking at the information provide by Mr A on similar vehicles advertised for sale, there were significant variations in mileage and specification. One advertisement was for a vehicle priced at £11,500 but the investigator wasn't persuaded the advertised price for one vehicle was persuasive.

Mr A disagreed with the investigator's view and asked that an Ombudsman review the complaint. He said Advantage's valuation was based on an older vehicle with lower specification than his own vehicle and a deduction made for his vehicle mileage being higher. So, the valuation was based on incorrect details for his vehicle. He'd chosen his vehicle with the extras he needed in a vehicle and his vehicle was six years old at the time of the accident (not seven). He also thought the investigator hadn't taken account of this Service's published guidance that valuation guides had said that generally vehicles were selling at or close to advertised prices. Irrespective of what the valuation guides said, he couldn't replace his vehicle with a like-for-like replacement. He also provided a further advertisement of a vehicle similar to his own (younger but with higher mileage) at £10,795.

He also questioned whether the investigator's view was in line with other parts of this Service's published guidance. First, whether he was being put back into the position he would have been in had the problem (the accident) not happened. His vehicle was a superseded version of which there were very few similar vehicles. He'd provided examples of advertisements for vehicles almost identical to his own, as well as examples of vehicles far closer in specification to those used by Advantage in their valuation.

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.

My role here is to decide whether Advantage has acted fairly towards Mr A.

The key issue in Mr A's complaint is the valuation of his vehicle as the basis for Advantage's settlement offer. He says Advantage's final valuation of £10,226 isn't sufficient for him to purchase an equivalent replacement vehicle, which he thinks would be up to £11,500 (based on advertisements for what he considers an almost identical vehicle to his own. Advantage say their valuation is fair, being higher than the highest figure from recognised industry valuation guides.

Having considered the available evidence and information, I'm not upholding the complaint. I know this will be disappointing to Mr A, so I'll set out why I've come to this conclusion.

As a Service, our approach to vehicle valuations starts by looking at an insurer's valuation, which we generally expect to be based on relevant industry valuation guides (which is also

the approach we adopt as a Service). We'd expect the insurer's valuation to be within a certain percentage of the highest valuation guide figure (or higher). If it was then we are likely to say it's fair. Unless there is other evidence to say this is unfair (and an insurer can evidence its offer is fair and reasonable when it's lower than the highest guide value).

Turning to the industry valuation guides, from the information provided by Advantage, included in their final response, they used three guides, based on retail values (trade values were significantly lower in all cases).

- (A) £9,058
- (B) £9,246
- (C) £9,330

Checking the valuations directly, they are at (or very close to) the equivalent valuations we obtained as part of our investigation of Mr A's complaint. They are based on inputting Mr A's vehicle registration and the exact mileage at the date of the accident. Three of the valuations are from the same guides as those given by Advantage (A) to (C) and the fourth (D) from the other valuation guide used by this Service:

- (A) £8,925 (unadjusted)
- (B) £9,745
- (C) £9,300
- (D) £9,744

While there are some differences (A) and (B), they are close to the second, increased offer from Advantage (£9,735). All are below Advantage's final valuation of £10,226.

So, I've concluded the valuations were accurate valuation guide figures, using appropriate input data.

However, Mr A doesn't think these are a fair basis for the valuation of his vehicle, for several reasons. So, I've considered each in turn.

The first issue is that the vehicle used as the basis of the engineer's valuation was older than his and with a lower specification, although lower mileage. Looking at the information provided by Advantage they list two similar vehicles advertised for sale, one with a higher mileage (9,000 miles higher) at £9,495 and one with a significantly lower mileage (19,000 miles lower) at £11,287.

Mr A provided examples of four vehicles for sale he thinks are comparable to his own. One at £11,287 (but with mileage some 20,000 less than his vehicle) and a second at £11,499 (again with a lower mileage, some 26,000 less). The third, which he thinks closest to his own vehicle, in terms of age, mileage and specification, at £11,500. And a fourth, slightly older but lower mileage (some 25,000 miles less) at £10,999.

Using a mileage adjustment valuation tool, inputting an equivalent lower mileage for Mr A's vehicle (registration and date of accident) provides a valuation of £11,529. Adopting the same approach to the valuation guide (A) gives a revised valuation of £10,495. Both of which indicates the impact of a significant difference in mileage.

While one of the vehicles appears closest to Mr A's vehicle, the other three (adjusting for their significantly lower mileages) appear significantly cheaper. So, I don't think it's fair or reasonable to use one advertised vehicle for sale, which appears out of line with other vehicles, to say this is a fair valuation for Mr A's vehicle.

And while Mr A says the engineer's valuation was based on an older, lower specification vehicle (though with lower mileage) the figures from the four valuation guides use Mr A's exact vehicle registration and mileage – but produced valuations consistently lower than that from the engineer (and Advantage's final offer).

On the issue of the extras on his vehicle not taken into account, the cost of the extras fitted to Mr A's vehicle was £750 when fitted new. Mr A says these were the extras he needed in a vehicle and his vehicle was six years old at the time of the accident (not seven, as the investigator said in their view). However, while the extras may have been those Mr A needed, that doesn't mean they would be extras that someone else would want or be willing to pay more for. And putting in the details of the extras and the age of Mr A's vehicle into a valuation tool for extras produced a residual value of £0 (Mr A's vehicle being just over six years and six months old at the date of the accident).

So, I've concluded the extras on Mr A's vehicle wouldn't make any difference to its valuation.

I've also considered the points Mr A makes about the approach we use as a Service to vehicle valuations.

First, that valuation guides had said that generally vehicles were selling at or close to advertised prices. Irrespective of what the valuation guides said, he couldn't replace his vehicle with a like-for-like replacement. But given my conclusion above, finding one vehicle advertised at £11,500 doesn't mean that's a fair and reasonable valuation, given there are other vehicles advertised at lower values (and/or with significantly lower mileages).

On whether he was being put back into the position he would have been in had the problem (the accident) not happened, this appears to be based on Mr A taking one valuation (out of several). Which I've concluded wouldn't be fair or reasonable, given the points about other vehicle valuations and the impact of mileage on valuations.

Mr A also says his vehicle was a superseded version of which there were very few similar vehicles. However, even if this were the case, he's provided evidence to show that a superseded version of a particular make or model would be worth more than the newer version – I'd expect a superseded version to be worth less, as a superseded version and in comparison with a newer version.

Taking all these points into account, I've concluded Advantage acted fairly in making a settlement based on the engineer's valuation of £10,226. So, I won't be asking them to increase their settlement.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 November 2024.

Paul King
Ombudsman