DRN-5017118

The complaint

Mrs H has complained about the settlement offered by esure Insurance Limited ('esure') for her written off car under her motor insurance policy following an accident.

What happened

Mrs H was unfortunately involved in a car accident at the beginning of February 2024. Her car was hit by a third-party car when Mrs H was stationary, causing damage, and she raised a claim with her insurers (esure). The car was taken to a compound by the police and collected by esure's agents. Mrs H said she didn't receive information about what was happening to the car. Three weeks later, investigations hadn't commenced, and Mrs H called esure to chase the matter. esure's agents were then instructed to inspect the car and it was confirmed that the car was a total loss. esure then offered £5,100 for the car.

Mrs H was unhappy with this valuation as the amount wouldn't allow her to purchase a like for like car, being one of the same make and model. esure then increased its offer to £5,220, however Mrs H wished to continue to negotiate. However, esure maintained its stance and Mrs H then referred her complaint to this service, as she wanted a fairer offer for her car.

The relevant investigator upheld Mrs H's complaint. She noted that the relevant policy required esure pay the market value of a vehicle once a claim was accepted. She reviewed trade guides and looked at the car's additional features, in particular the sunroof and thought this wasn't covered in the general guide valuations. She thought it would increase the value of the car by £400. She concluded that esure's offer wasn't fair and reasonable and that esure should increase the total valuation offered to just under £5,700 plus interest.

esure didn't agree with the investigator's view. Mrs H respected the investigator's view but didn't think that £5,700 would allow her to buy an equivalent vehicle. In the circumstances, the matter has been referred to me to make a final decision in my role as Ombudsman.

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.

The key issue for me to determine is whether esure acted in a fair and reasonable manner in valuing Mrs H's car. I don't consider that it did so in all respects, and I'll explain why.

In reaching this final decision I've considered the submissions of the parties as summarised below. I turn firstly to Mrs H's submissions. She provided examples of four comparable cars which she'd noted from a trade magazine, and she said that these showed that esure's offer didn't allow her to buy a comparable vehicle in the current market. She said that esure's agents had agreed that her car had a high specification and was in excellent condition and that a higher valuation may be appropriate. The fist example produced by Mr H had higher mileage than her car, had a lower specification, and yet was advertised at just under £6,500.

Mrs H felt that she'd been disadvantaged both in terms of the time spent on this matter, but also financially, for an incident where she'd not been at fault. She also felt that she was continuing to be penalised as she then had no car, there had been a detrimental impact on her work, an increase in premiums, as well as an additional cost to buy a car. She said that it had been an awful experience and she didn't feel she'd been supported by her insurer.

I now turn to esure's submissions regarding Mrs H's complaint. It said that the market value wouldn't always equate to the price paid for the car. It also said that it would compare the selling price of similar vehicles in specialist on-line motor trade guides, as these provided selling prices rather than advertised prices. It recorded that the relevant retail values produced by the guides were £5,220, £5,123 and £4,869 respectively. It said, *'This indicates that a fair value for your car would be between £4869 and £5220.'* It had calculated the average of the three guides to be £5,071. As such, it considered that its offer of £5,220 was therefore fair.

esure ultimately said that it didn't dispute the investigator's increased guide valuation of just under £5,300, however as to the sunroof, given the age of the car, it thought that the value of this optional extra would also depreciate. In this case, it thought that depreciation year-on-year would be to a point whereby it didn't affect the value at all. It didn't think that the 'used price' of £400 reflected the current value. Put simply, it didn't think that a car with a sunroof would cost £400 more than one without the sunroof, being approximately 7.5% of the car's value. It said that if this were the case, the value of the sunroof would have depreciated at a much lower rate than the car *'which is unheard of in terms of optional extras.'*

I now turn to the reasons for my decision to uphold Mrs H's complaint. In assessing what is fair in terms of market value, this service would expect insurers to review relevant motor valuation guides. The range of values which were produced by the investigator's review were between just under £5,060 to just under £5,300. I note that esure have now accepted that the investigator's increased base valuation of just under £5,300 was fair and reasonable. In the absence of clear and specific evidence from esure to demonstrate that Mrs H would be able to replace her car with a similar one for the amount it offered, I find it fair and reasonable to use the highest guide value as the base valuation.

The issue which remains in dispute is regarding the amount by which the value should be increased, if at all, by the car's sunroof feature which was an optional extra. I appreciate that there are no notes from the agent to confirm what he stated following inspection of the vehicle, however I have no reason to disbelieve Mrs H in saying that the agent agreed that her car had a high specification and was in excellent condition. I can see why she was therefore expecting a better offer than she received from esure.

esure's research indicated that it should be nil whilst the investigator had carried out a bespoke valuation which provided a figure of £400 reflecting a used car value rather than a new car value. Having viewed the photographic evidence of Mrs C car, it does appear to be in good condition, apart from the damage caused by the accident, and is an attractive model, which was likely to have been enhanced by the inclusion of a sunroof.

On the other hand, as with vehicles generally, optional extras will depreciate over time, and a sunroof wouldn't usually be expected to have much impact on the value of the car for an older car such the car in this instance.

This is therefore a finely balanced judgment; however, I'm satisfied that the sunroof feature on Mrs H's car would have attracted some value, and in the absence of any clearer evidence as to the level of that value, I consider that the used value figure of £400 from the service's bespoke valuation is the best indicator of that value. On the balance of probabilities, I therefore determine that the base value of just under £5,300, should be increased by £400 to recognise an enhanced value of the car due to its additional features, bringing the total revised valuation to just under £5,700. In conclusion, I determine that esure's valuation doesn't provide a fair and reasonable figure and should be increased to £5,699 plus interest.

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My final decision

For the reasons given above, I uphold Mrs H's complaint and I require esure Insurance Limited to do the following in response to her complaint: -

- To increase its valuation to £5,699 and to pay this amount to Mrs H within 21 days of the date of this decision letter.
- To pay simple interest to Mrs H at the rate of 8% simple interest* to the above amount, from the date on which esure made its final valuation offer to the date of settlement.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 14 November 2024.

Claire Jones
Ombudsman