DRN-5017583

The complaint

Mr K complains about the amount West Bay Insurance Plc (West Bay) offered in settlement of a claim under his Fleet Motor Insurance policy.

Mr K is also unhappy with the amount West Bay is charging to retain the written off vehicle.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr K held a Fleet Motor Insurance policy underwritten by West Bay. In November 2023, he made a claim on his policy following an accident. West Bay accepted the claim and deemed Mr K's vehicle as a total loss.

West Bay initially deemed the market value of Mr K's vehicle to be £10,385. But this was later increased to £16,820 following a review from an engineer.

West Bay said it assessed the value of Mr K's vehicle by using three valuation guides. The guides West Bay looked at produced the following valuations – £22,289, £17,850 and £15,790. West Bay said the higher valuation was an outlier, so it was discounted.

West Bay said the information it used to reach the final figure of £16,820 came from the average of two of the recognised motor industry guides for obtaining motor valuations.

Mr K also enquired about keeping the written off vehicle. West Bay said this would result in a deduction of 45% of the settlement offer. West Bay said this was in line with its salvage matrix which indicates what it is likely to receive from its salvage agents.

Mr K remains unhappy with the valuation placed on his vehicle by West Bay and the cost of the salvage. Mr K would like West Bay to settle the total loss claim for his vehicle for £20,000, which he believes is a fair valuation for his vehicle. He would also like West Bay to reduce the cost of the salvage should he wish to retain it. He provided sale adverts to support his position, but West Bay maintained that it had valued his vehicle fairly.

Our Investigator upheld Mr K's complaint. He looked at four of the motor valuation guides available to the Ombudsman Service, but only three produced a valuation for Mr K's vehicle. The valuation guides he looked at gave the following results: £19,530, £17,995 and £15,790.

The Investigator also considered the four adverts provided by West Bay. He said he wasn't persuaded by them because only one was comparable to Mr K's vehicle. He didn't feel this was sufficient evidence for him to depart from the motor valuation guides, which are based on extensive nationwide research. He also considered the sale adverts provided by Mr K, but said they were for vehicles of a different age and mileage so again not comparable to Mr K's vehicle.

Our Investigator said the fairest thing to do in this instance was to pay Mr K the highest of the motor valuation guides he found, £19,530. He didn't think West Bay had provided sufficient evidence to show that its lower valuation was fair.

He also thought about the salvage deduction West Bay proposed in order for Mr K to keep the written off vehicle. He was satisfied that West Bay had demonstrated the charges being applied were in line with its salvage matrix which was based on historical data.

West Bay didn't agree with our Investigator that it's offer should be increased, so the matter has been passed to me to decide.

Having reviewed the case, I emailed West Bay to request further information. I asked West Bay for evidence of the motor valuation which produced a value of £22,289. West Bay provided a screen print of the history from the relevant motor valuation guide, however this didn't show the details entered.

I also noted that the salvage matrix provided by West Bay stated two figures for the category relevant to Mr K's claim - 36%, and 45% (if policy holder retains). West Bay said based on historical data of written off vehicles, the lowest it would expect to receive for the salvage would be 36%. However, on average it expects to receive 45% which is the rate being applied to Mr K's claim.

I asked West Bay for evidence that it would have received 45%. West Bay responded to say that although it would expect to receive an amount higher than 36%, it couldn't provide any evidence to support making a deduction at 45% from the settlement offer.

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.

Having done so, I agree that this complaint should be upheld. I'll explain why.

Both parties have provided detailed submissions to support their position. I want to assure them I've read and carefully considered everything they've said, but I won't comment on everything.

Valuation

I'll start by explaining that the role of the Ombudsman Service isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of the policy correctly and valued the vehicle fairly. Mr K's policy covers him for the market value of his vehicle, at the time of loss. This is fairly standard within the motor insurance industry.

Market value is defined in the policy as:

> "The estimated market value of your vehicle had it been placed on the open market immediately preceding the loss or damage. The assessment of market value will be made on the basis that the vehicle is offered for sale in similar circumstances as applied immediately preceding the purchase by you. For example, if the vehicle was purchased privately, we will settle at the private sale price."

It is standard practice for the industry to use valuation guides to work out the estimated value of a vehicle, and it's not unreasonable that it does so. These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, sale adverts and engineer's reports.

Mr K complains that the valuation placed on his vehicle by West Bay is too low. He is also aggrieved by the fact that West Bay's starting offer to him was just over £10,000 which wasn't anywhere near the valuations it had received. He says West Bay has treated him unfairly.

Mr K also told the Ombudsman Service that his vehicle had the following optional extras: cream leather seats, rear entertainment package, NAIM upgraded sound system, unique wood inlay, fully heated and cooling seats with massage function. West Bay said it hadn't considered them because Mr K hadn't made it aware at the time of the valuation. But in any event according to the motor valuation guides it had used, the optional extras didn't add value. West Bay provided evidence in support. The Investigator also checked this when he carried out his own valuations and confirmed this to be correct.

Optional extras are additional specifications which can be added to a car when it is in the factory. These usually come with an additional cost which is paid by the purchaser. While some optional extras can increase the resale value of a car, some won't increase the price but may make the car more desirable to buy. As with cars generally, optional extras will depreciate over time. In this case though, I'm satisfied that the valuations carried out by our Investigator took into account the optional extras, but they haven't increased the value of Mr K's vehicle.

Our Investigator obtained his own valuations from the motor valuation guides the Ombudsman Service typically uses when assessing complaints about motor valuations. He used the correct mileage and date of loss when obtaining these valuations, which provided the following market value figures:

- £19,530
- £17,995
- £15,790

The approach taken by the Ombudsman Service in these circumstances is that the insurer should base its settlement payment on the higher of the industry trade guide valuations. This is unless it can show this to be unfair.

The highest valuation obtained by the Investigator was from one of the same valuation guides West Bay had used but discounted as an outlier. West Bay also argues it has received different results on three different occasions when it carried out the search on this particular guide. It therefore didn't find it reliable. I'm not satisfied with West Bay's reasoning to discount the valuation produced by this guide. The guides sometimes make updates to their valuation algorithms. This can have an impact on the valuation of a vehicle if completed at different times. But I don't consider this means the valuation produced will be unreliable or should be discounted.

As I said above, our approach is to go with the highest valuation guide unless West Bay can show this to be unfair. I note that West Bay provided four sale adverts. We do take adverts into consideration when thinking about whether the consumer would be able to replace their vehicle with the offer made. However, in this case as the Investigator has pointed out, only one of the adverts is comparable to Mr K's vehicle. The other adverts are for vehicles of a different age which could impact the price. I have also considered the sale adverts provided by Mr K, but again these are not comparable due to them either having a different registration year, different mileage or slightly different specifications to Mr K's vehicle. I don't think the sale adverts are therefore either sufficient or persuasive when being compared to a much larger volume of sale data as used by the valuation guides.

So, for the reasons given above, I haven't seen enough evidence to persuade me that West Bay's lower offer of £16,820 is fair and reasonable. I therefore cannot agree that West Bay has offered a fair market value for Mr K's vehicle.

Although West Bay's valuations are closest to the point of loss, I don't have enough evidence to conclude that the valuation for £22,289 was based on correct data. In the circumstances, I must disregard it and consider the highest valuation obtained by the Investigator, which was for £19,530.

In the circumstances, I consider that a more appropriate fair market valuation for Mr K's vehicle would be £19,530.

I note that West Bay offered Mr K an interim payment, but he rejected it. He could have accepted this and continued to dispute the overall valuation. So, I don't consider it would be fair or reasonable to hold West Bay responsible for Mr K not having received this part of the settlement at an earlier date. He has though been without the rest of the settlement since then as a result of West Bay not reaching a fair and reasonable outcome. I therefore consider that it would be reasonable for West Bay to add interest at 8% simple to the difference between the interim payment offered and the final settlement amount.

Salvage

Mr K expressed an interest in retaining the salvage vehicle.

When an insurer allows a consumer to retain the salvage, it will usually deduct what it would have received when disposing of the vehicle from its salvage agents. This is considered to be fair. However, the insurer should be able to demonstrate that the amount it is charging, is in line with what it would receive from its salvage scheme.

West Bay provided a salvage matrix outlining the amount it would deduct for the salvage. The matrix had two figures. West Bay explained that the lower amount was the minimum it would expect to receive, and this was based on historical data for written off vehicles. The higher amount, which is what it charges the policy holder to retain the salvage, is the average of what it expects to receive from its salvage agents.

West Bay said if Mr K retains the salvage, it would deduct 45% from the settlement offer. I'm not persuaded that it is fair for West Bay to charge a higher amount, as it hasn't been able to demonstrate this is what it would have received from its salvage agents. I think it's fair for West Bay to deduct the lesser amount from its salvage matrix (36%) which it says is based on historical data for written off vehicles. In my experience, I consider the 36% deduction to be fair.

Mr K said he is unsure if he wants to retain the salvage. Mr K should now decide if he wishes to retain it, and let West Bay know so it can calculate the claim settlement.

My final decision

My final decision is that I uphold this complaint. West Bay Insurance Plc should:

- Settle Mr K's claim based on a valuation of £19,530.

- Pay 8% simple interest, on the difference between this sum and the amount of the interim offer, from the date of the interim offer to the date the final settlement is paid.
- Deduct 36% from the settlement offer if Mr K decides to retain the salvage vehicle.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr K to accept or reject my decision before 17 January 2025.

Ankita Patel
Ombudsman