

The complaint

Mr B complains about the settlement payment U K Insurance Limited (UKI) offered him following the total loss of his car due to an accident, under his motor insurance policy.

What happened

Mr B was involved in an accident when driving. He made a claim to UKI which it accepted. It determined his car wasn't economical to repair and categorised it as a total loss. Mr B says UKI offered him £11,569 to settle his claim. He says he can't find a similar car for this amount. Mr B says his car was in very good condition, with two keys, a full-service history, with new tyres recently added. Because he wasn't satisfied with UKI's offer he complained.

In its final complaint response UKI says it took an average of the industry trade guide valuations to arrive at a settlement payment it thought was fair. It says as Mr B wasn't happy with its first offer of £11,389 its engineer reconsidered the valuation. This resulted in an increase to its final offer of £11,569.

Mr B didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He didn't think UKI had shown that its valuation was fair. He says there is a significant difference between the lowest and highest valuation UKI obtained. UKI had disregarded the lowest as an outlier. But this still left a range of valuations between £10,350 and £12,204. Our investigator says UKI's offer is some way below the highest of the valuations. He wasn't satisfied that it had provided evidence to support this approach as being fair.

Our investigator says UKI should increase the settlement payment to the highest of the trade valuations (he confirmed this was £12,019 having run the highest of the trade guide valuations again). He says it should pay the outstanding amount to Mr B plus 8% simple interest.

Mr B accepted our investigator's findings. UKI didn't and asked for an ombudsman to consider the matter.

It has now been passed to me to decide.

I issued a provisional decision in August 2024 explaining that I was intending to uphold Mr B's complaint. Here's what I said:

provisional findings

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'm minded to uphold this complaint. I largely agree with our investigator's findings, but I think there is scope for a compensation payment. Let me explain.

Mr B's policy provides the market value in the event of a total loss due to accident damage.

This is defined as:

“The cost of replacing your car with one of a similar age, make, model, mileage and (pre-accident) condition, or the cost of replacing your car’s accessories.”

We don’t provide valuations for vehicles but rather we look to see whether the insurer’s offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

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, engineer’s reports.

UKI obtained valuations from four of the same trade guides that we use. I’ve looked to see that it used the correct mileage, age, make and model of car, which it did. I also checked to see that it used the correct date for Mr B’s loss, which was 18 October 2023. Three of the valuations used the correct date. In one the valuations it isn’t clear what date was used. Our investigator obtained another valuation from this trade guide using the correct loss date. This valued Mr B’s car at £12,019, which is the figure our investigator referred to.

Valuing second-hand vehicles isn’t an exact science so we look to see that UKI took a reasonable approach in these circumstances. I think it did when using the trade guides to establish the market value for the car. However, it took an average of the valuations when there was a considerable difference between the highest and the lowest of these. Where there is a significant variance in the trade guide valuations, and the insurer doesn’t offer the higher of these in settlement, we expect it to provide evidence to support why it considers its approach to be fair.

In response to our investigator’s findings UKI provided a number of adverts showing cars similar to Mr B’s car that it had found for sale. However, these were cars advertised for sale in May 2024. Mr B’s policy provides the market value immediately prior to a loss occurring. This was in October 2023, some seven months earlier. I don’t think these adverts can reasonably be considered reliable evidence of the value of Mr B’s car at the time of his loss.

Based on this evidence I think the fairest approach is for UKI to adjust its settlement payment based on the highest of the trade guide valuations. It should also pay 8% simple interest on the delayed part of the payment.

I’ve thought about Mr B’s comments that he couldn’t find a replacement car for the settlement UKI paid. Also, that he found this situation traumatic particularly as he didn’t have the funds to add to the settlement offer to buy a replacement. I don’t think UKI has shown that its settlement offer was fair. So, I think it’s reasonable for it to acknowledge the impact this had on Mr B by paying him £100 compensation.

I said I was intending to uphold this complaint and UKI should:

- pay Mr B £12,019 in settlement of his claim, adding 8% simple interest to the missing part from when the original payment was made; and
- pay Mr B £100 compensation for the upset and inconvenience it caused him.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr B didn't respond with any further information or comments for me to consider. Neither did UKI.

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.

As neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint. U K Insurance Limited should:

- pay Mr B £12,019 in settlement of his claim, adding 8% simple interest* to the missing part from when the original payment was made; and
- pay Mr B £100 compensation for the upset and inconvenience it caused him.

* If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give him a tax deduction certificate 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 11 October 2024.

Mike Waldron
Ombudsman