DRN-5086063

The complaint

Mr T complains about esure Insurance Limited's handling of a claim under his car insurance policy.

What happened

Mr T had a car insurance policy with esure. In December 2023 he was involved in an accident, and in January 2024, he made a claim with esure.

esure declared the car a total loss, and in February 2024, it made a settlement offer based on a pre-accident value (PAV) of £12,455.

Mr T complained to esure. He felt esure's offer wasn't enough to purchase a like for like replacement. He provided adverts showing a significantly higher value and he said there had been delays since he made his claim.

In April 2024, esure increased its PAV to £14,000 and provided an advert to support this. Mr T was unhappy with this PAV and said esure's example was not comparable, included other modifications and didn't include the optional extras his car had.

esure issued a response in April 2024. It said it relied on motor trade guide ('guides') values and its own research. It felt the £14,000 PAV was fair, and confirmed the claim settlement payment based on this PAV, subject to the policy excess, had been sent.

Mr T remained unhappy, so he referred his complaint to the Financial Ombudsman Service. He felt esure's PAV didn't take into account his car's optional extras and esure's example was not comparable. He said esure's actions, including its handling of the claim, had caused significant financial and personal detriment. He was left without money to purchase a replacement car and was unable to travel to work and collect his son from school. He wanted compensation for the time taken to resolve the claim.

In May 2024, esure issued a complaint response on delays and the handling of the claim. It accepted there were delays, apologised and paid Mr T £100 compensation.

Our Investigator upheld the complaint. She looked at three guides and thought the fairest outcome was for esure to pay a settlement based on the highest guide valuation of £14,780. Overall, she wasn't persuaded esure's evidence was sufficient to show a lower amount than this would be appropriate. She also felt esure should pay a further £100 compensation, in addition to the £100 it had already paid.

Mr T didn't disagree. esure disagreed and felt it had provided enough evidence to support its PAV of £14,000.

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 policy terms say the most esure will pay Mr T in the event of a total loss, is the market value for his car. Market value is defined as '*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 purchased the car*'.

It isn't the role of the Financial Ombudsman Service to come to an exact valuation of a consumer's car. But we do look to see if insurers have acted reasonably and if they've relied on a fair market value of the car in line with the policy terms and conditions. In doing so, we consider the various trade guide valuations used for valuing cars, along with other evidence provided by both sides, such as advertisements.

In assessing what constitutes a fair value, we generally expect insurers to review relevant guides to motor valuations. And to minimise the risk of detriment to the policyholder, we think insurers should settled based on a value close to the highest trade guide valuation – unless there's persuasive evidence, for example adverts or independent reports, that a lower value is fair and reasonable.

I've reviewed the information from the available guides to assess whether esure's offer is fair and reasonable. I have reviewed information from three guides, which give values between £12,195 and £14,780. Our Investigator said there was an increase of £400 on the lowest valuation of £12,195, when factoring in the optional extras. Looking at the valuations provided by the guides, I'm not persuaded that esure's PAV of £14,000 is fair.

This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. esure's valuation sits below the highest valuations, but it hasn't shown sufficiently why its offer is fair, or that Mr T could have replaced his car with a similar one for the amount offered.

In its total loss report from February 2024, esure relied on adverts for cars with different mileage to Mr T's car at the point of loss, some sold by private sellers and with advertised prices between £14,995 and £16,490. I'm not persuaded these adverts show esure's PAV of £14,000 is fair in the circumstances. esure provided one advert with a price of £13,995. But given that esure likely provided this around April 2024, I'm not persuaded this reflects the likely advertised price for a similar car to Mr T's, at the point of loss, in December 2023. This advert wasn't included in the examples from its total loss report in February 2024.

Mr T also provided some adverts. I've not been able to access the links as they seem to have expired, but I can see from the link descriptions that many of his examples were likely for 5-door models, when his was a 3-door model. So I've not been able to rely on the adverts Mr T provided in deciding what's fair. Mr T also mentioned his car's optional extras, and I can see that our Investigator took this into account. Similarly to the value of a car, factory-fitted optional extras will also likely depreciate over time, and while some optional extras can increase the resale value of a car, some won't increase the price. In this case though, I'm satisfied our Investigator did take into account the optional extras which have increased the value of Mr T's car, but this hasn't shown the highest guide valuation was inappropriate.

Ultimately, esure hasn't provided enough evidence to persuade me a PAV below the highest guide valuation is fair in the circumstances. And to avoid any detriment to Mr T, the highest valuation produced by the guides is my starting point. So, considering the overall variation of the values produced, and the lack of persuasive evidence provided, I consider a more appropriate PAV would be £14,780. This represents a further £780 that is due to Mr T. So esure should pay this to him, along with 8% simple interest per year, from the time Mr T has been unfairly without this money.

Mr T complained about delays and esure's handling of the claim. esure accepted there were delays and apologised to Mr T for this. Having reviewed the evidence, I'm satisfied there were delays in the handling of the claim, which caused delays to esure's settlement.

Mr T said esure's actions caused significant financial detriment, but he's not provided evidence to show this. He also said he was unable to work, but I'm conscious his policy with esure didn't allow for travel to or from a place of work. Mr T said he was unable to collect his son from school, and I can see he had to chase esure a number of times prior to March 2024. I think the delays, and esure's unfair settlement, would've caused him some distress and inconvenience.

esure paid Mr T £100 compensation, but I agree with our Investigator that a total of £200 is fair in the circumstances. So I will direct esure to pay a further £100, in addition to the £100 it has already paid.

My final decision

My final decision is that I uphold this complaint. I require esure Insurance Limited to:

- Pay Mr T £780.
- Pay interest on the above amount. The interest should be calculated from 5 February 2024 (the date of esure's total loss report), to the date of payment. The rate of interest is 8% simple interest per year.*
- Pay Mr T a further £100 compensation.

* If esure Insurance Limited considers that it is required by HM Revenue & customs to take off income tax from that interest, it should tell Mr T how much it has taken off. It should also give Mr T a certificate showing this 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 T to accept or reject my decision before 4 December 2024.

Monjur Alam
Ombudsman