

The complaint

Mrs D complains about the settlement that Advantage Insurance Company Limited offered her for the total loss of her car following a claim made on her commercial motor insurance policy.

What happened

Mrs D's car was damaged when it was hit by another car whilst parked, and she made a claim on her policy. Advantage offered her £13,046, waiving the policy excess, in settlement of her claim. But Mrs D was unhappy with this and with the level of service she received. She thought Advantage should honour an earlier offer it had made using an incorrect mileage, £15,800. Advantage agreed that there had been service failings and it paid Mrs D £50 compensation for this.

Our Investigator didn't recommend that the complaint should be upheld. She thought Advantage had reasonably based its settlement for the car's market value on the motor trade guides we use. She thought its offer was near the highest of the valuations provided by the motor trade guides. And so she thought it was fair and reasonable.

She thought Advantage should have checked the car's mileage before making Mrs D an offer. And she also thought it could have checked the car's latest MOT for the mileage. The incorrect settlement offers had caused Mrs D a loss of expectation. But she thought Advantage's final offer and its payment of compensation for its service failings was fair and reasonable.

Mrs D replied that the impact of her buying a replacement car based on the incorrect valuation hadn't been considered. She thought Advantage was responsible for her loss. She thought Advantage shouldn't have used a guess of the car's mileage as it had possession of the car. She said Advantage had made a payment to her finance company before she had accepted the valuation. Mrs D asked for an Ombudsman's review, so the complaint has come to me for a final decision.

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.

Mrs D has raised concerns about the valuation of her car and how her claim was handled. These are the responsibility of the insurer, Advantage, and so I will consider these concerns here. Mrs D also raised concerns about the level of service she received from Advantage's agent, and I will consider those under another complaint as it's a separate business to Advantage.

I can understand that Mrs D wants a fair settlement for the loss of her car. Mrs D's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet as:

"The cost of replacing your car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age, and condition. This may not necessarily be the value you declared when the insurance was taken out. Your insurer may use

publications such as Glass's Guide to assess the market value and will make any necessary allowances for the mileage and condition of your car and the circumstance in which you bought it."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor-trade guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought Advantage's settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor trade guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mrs D's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the trade guides, unless they are able to provide us with evidence which supports a lower valuation.

Advantage had provided a valuation of £13,046, which was near the highest of the valuations provided by the guides. This took into account the car's correct mileage. And so I agree that Advantage's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this.

Mrs D said Advantage had possession of her car, but she was pressed to make a guess of the car's mileage so that it could calculate a settlement offer. Her guess was 30,000 miles as opposed to the correct mileage of 78,747 and this led to an incorrect settlement offer.

Mrs D said this error was repeated in Advantage's emails to her after it knew the correct mileage. And she accepted the offer, and she bought a replacement car on the strength of this. Mrs D said Advantage then called her to say there had been a human error and her actual settlement, based on the correct mileage, would be about £3,000 less, which Mrs D rejected.

Advantage agreed that its level of service had been poor. Advantage agreed that it should have checked the car's mileage before offering Mrs D a settlement. There was a substantial difference between Mrs D's guess and the correct mileage. But I can't say that Mrs D was at fault for this as I think it's unusual for an insurer to rely on a customer's guess of a car's mileage to calculate a valuation.

And Advantage could have checked the DVLA site to verify what Mrs D guessed. Advantage then didn't correct the valuation for the actual mileage in its response to Mrs D's complaint. I agree that this was a further error that should have been avoided.

When a business makes mistakes, as Advantage accepts it has done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

From what I can understand, Advantage corrected its error with the mileage within 12 days of Mrs D accepting its incorrect offer. This was after its engineer's had assessed the car and provided a valuation based on the actual mileage. We don't think it's fair or reasonable for a consumer to benefit from an error so I can't say that Advantage should honour the original offer it provided in error.

But I think the error caused Mrs D a loss of expectation. Mrs D said she had bought a replacement car on the strength of the offer she had accepted. She said she would have been able to use her own private car to continue her work if she hadn't done this.

But, whilst I can see that Mrs D bought a replacement car, I can't say that she wouldn't have done this if the valuation had been correct in the first instance. This is because she evidently needed a replacement car for her work, and she would have had to amend her cover to use this car for her work. And the settlement was paid to her finance company which owned the car leaving an outstanding amount in any case. So I don't think Mrs D incurred any loss because of this mistake.

Advantage paid Mrs D £50 compensation for the trouble and upset caused by this repeated error. I think that's in keeping with our published guidance for a small error that didn't have a financial impact, and so I don't require Advantage to increase this.

Mrs D was concerned that Advantage had made a payment to her finance company before she had agreed to the valuation. But I think Advantage reasonably explained that it did this after it received the settlement figure from the finance company and to avoid any further interest. I can't see that this caused Mrs D any loss as the payment was always going to be made to the finance company and, if a higher settlement had been agreed, then a further payment could have been raised.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 27 November 2024.

Phillip Berechree
Ombudsman