

The complaint

Mr L complains about the settlement that Ageas Insurance Limited offered him for the total loss of his car following a claim made on his motor insurance policy. He wants it to pay all his claim.

What happened

Mr L's car was damaged in an accident, and he made a claim on his policy. Ageas said the car was a total loss and it valued the car at £5,865. Mr L thought this was about right, and Ageas allowed him to retain the salvage without charge. But Ageas deducted £2,918 for pre-existing damage that was unrelated to the claim. Mr L thought this was unfair as the repairs he then had carried out only cost £600.

Our Investigator didn't recommend that the complaint should be upheld. She thought Ageas' settlement offer for the car's market value was fair and reasonable as it had allowed Mr L to retain the car's salvage without a deduction. She explained that we think a deduction of half the estimated repair costs of pre-existing damage is fair and reasonable.

Mr L provided evidence that he'd had the repairs done more cheaply. But she was persuaded that the deduction made by Ageas was supported by engineering evidence and was fair and reasonable.

Mr L replied that his engineer had carried out the repairs without costly exaggeration. Mr L 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.

I can understand that Mr L wants a fair settlement for the loss of his car. Mr L'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 the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened."

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 Ageas' 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 Mr L's car at the date of its loss. But she was unable to locate any valuations due to the car being an import and because of its age.

But Mr L had provided adverts for similar cars advertised between £5,990 and £6,995. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices. But I have considered these and looked to see where the advertised cars are identical to Mr L's.

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.

And as far as I can see Ageas based its valuation on the highest priced advert for a similar car, which it said it reduced by 15% due to the car being a previous total loss.

We think this is fair and reasonable as the car being a total loss will make it less attractive to potential buyers and hence reduce its value. And so the final valuation was £5,865, less the policy excess.

Ageas didn't make any deduction from the settlement for the car's retained salvage. And so I agree that Ageas' valuation 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.

Ageas then deducted £2,918 from this amount. It said this was half the estimated repair cost for unrepaired pre-existing damage. I can see that this is based on a detailed engineer's estimate for the repair of the damage.

Mr L said he had the repairs made for only £600 and he provided an invoice to show this. But I'm not persuaded with this invoice as it doesn't cost the individual elements that it said were repaired. It just provides a list of the repairs taken from Ageas' report, less some inexpensive items, and a final total.

So I'm satisfied that Ageas reasonably relied upon its engineer's detailed estimate to make a deduction for the pre-existing repairs from its settlement total. And so I think it acted fairly and reasonably and I don't require it to increase its settlement.

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 Mr L to accept or reject my decision before 9 December 2024.

Phillip Berechree
Ombudsman