

The complaint

Mr T has complained that the offer made to him by his motor insurer, UK Insurance Limited ('UKI'), for the market value of his car was too low.

UKI is the underwriter of this policy i.e., the insurer. During the claim Mr T also dealt with other businesses who act as UKI's agents. As UKI has accepted it is accountable for the actions of its agents, in my decision, any reference to UKI includes the actions of the agents.

What happened

In December 2023 Mr T was involved in an incident which rendered his car a total loss. Mr T said that two weeks before the incident he installed a new engine in the car and had only driven 200 miles since. He said the new engine and its installation cost £7,429.

Mr T made a claim under his policy with UKI but was unhappy with its offer. He said it offered him £6,446 for the market value of the car but completely disregarded the fact that it had a new engine. He said that he had invested close to £16,000 on the car over the previous two years. He was initially also unhappy that UKI didn't pay his recovery costs which came to £312.

UKI considered the complaint but didn't uphold it. It said it paid Mr T £4,249 after deducting the £650 excess and £1,547 for the salvage cost. It said it used motor trade guides in order to arrive at its valuation and that £6,446 was the highest valuation the guides had provided.

Mr T told UKI that the guides do not take into account that the engine was new so its valuation was flawed. He added that when he spoke to one of its handlers she said that without the new engine it would have offered £5,776 and thought its offer of 9% of the value of the new engine was derisory and unethical.

Mr T also provided adverts for cars which he felt were similar to his. He said that he bought the car in April 2022 for £8,400 and couldn't see how the valuation could be any less than £14,000 taking into account the purchase fee, the value of the engine and even allowing for depreciation.

Mr T then brought his complaint to us. He said that a fair market value for his car was £9,000.

The matter was passed to one of our investigators to review. Before our investigator provided his view Mr T confirmed that UKI paid the £312 recovery costs. Our investigator considered the complaint about the valuation and thought that UKI's offer of £6,446 was fair, as well as being the highest valuation provided by the motor trade guides.

Mr T didn't agree. He reiterated that the guides do not take into account the new engine which he believed effectively reduced the mileage from over 95,000 to zero.

Our investigator said that a new engine or any modifications may make a car more desirable but wouldn't necessarily increase its market value. He also didn't agree that it reduced the mileage to zero as the car still had other significant components which hadn't been replaced.

Mr T asked for an ombudsman's decision and the matter was then passed to me to decide.

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.

Mr T's policy provides cover in the event his car is written off. Under the policy a car may be written off if it is so badly damaged that it is no longer roadworthy or the cost to fix it would be uneconomical based on its market value.

The policy defines the market value as:

"The cost of replacing your car with another of the same make and model, and of a similar age and condition at the time of the accident or loss"

The policy also states that this may be different to the amount the consumer paid or any amount they provided when they insured their car with UKI.

Our service has an approach to valuation cases like Mr T's that has evolved in recent times. When looking at the valuation placed on a car by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn't value cars. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices.

UKI used four motor guides which produced values of £5,495, £5,390, £6,446 and £5,716 respectively. I've also reviewed the three valuations our investigator obtained, and the guides returned values of £5,495, £5,390 and £6,221. I think the valuations obtained by both parties are broadly in line with one another and I'm therefore satisfied that UKI's valuations are for Mr T's car. I note that the three lowest valuations are a lot closer to each other than to the £6,446. But I haven't discounted this valuation as there is nothing to suggest it isn't correct.

UKI valued Mr T's car at £6,446 using the guides.

Mr T has provided adverts which I have considered but didn't find as persuasive as the motor trade guides as they were for cars with lower mileage than Mr T's and had fewer owners. Also one of the cars was a completely different specification to Mr T's and had more horsepower. As I said above, under his policy UKI will pay the market value of the car

immediately before the incident based on a car of similar specification, age etc. And though we may sometimes consult adverts we don't often find them as persuasive as the guides. And this is because the price a car is listed for is more often than not the price it sells for which is often negotiated down.

Looking at the valuations produced by the guides I am persuaded that UKI's offer of £6,446 is fair and reasonable particularly as it is higher than the rest of the valuations. I haven't seen any other evidence which is relevant and persuasive that would suggest a higher valuation is appropriate.

Given there isn't any other relevant evidence to persuade me that a valuation in line with the higher valuation produced is inappropriate and to avoid any detriment to Mr T the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that a fair market valuation would be £6,446, as offered by UKI.

Mr T has said that a new engine was installed on the car a few weeks before the accident. The receipt he provided says that the part was "RMFD" which I understand means it was remanufactured, so it wasn't brand new. And Mr T has himself said that it was a "factory-conditioned" engine. The cost of installation was £794.06 and the engine cost £6,634.70.

Mr T feels that this cost should be reflected in the value of the car and that despite the car having covered around 95,000 miles it should be valued as 200 to 500 miles which is what it covered in the new engine. I have considered Mr T's argument but I'm afraid I don't agree. I don't think that the engine alone, whether brand-new or remanufactured, would reset the mileage covered by the car. And that is because, as our investigator said, there are other important components in the car which weren't replaced. And if the engine was remanufactured, I think this might also mean that some of the parts used could still have some mileage on them from previous use.

Mr T doesn't feel that the guides provide an accurate valuation because he says they don't take into account the fact that the car had a new engine. I appreciate that Mr T has paid extra for this but this doesn't necessarily mean that this would be reflected in the market value of the car or that the extra amount he paid should be added to the value of the car. A car with a new engine may be more desirable to some buyers but may not be to others who might be concerned that a new engine might be hiding other issues.

As I said above, our service doesn't value cars and our role is to ensure that the insurer's valuation is fair and reasonable. Mr T believes that the engine he installed on his car before the accident increased its value. But I haven't seen any relevant and persuasive evidence that would support this. If Mr T is able to obtain evidence, for example, from engineers or dealerships which says that the car's value was higher than that of a similar car which didn't have a new engine he is free to provide it to UKI for it to consider.

I appreciate Mr T will be disappointed with my decision. But for the reasons I have given above, I don't think UKI has acted unfairly or unreasonably on this occasion.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 February 2025.

Anastasia Serdari
Ombudsman