

The complaint

Mrs D complains AA Underwriting Insurance Company Limited's settlement of her motor insurance was too low.

What happened

In April 2024 Mrs D's car was damaged when driven into a pool of water. She claimed against her AA motor insurance policy. AA considered the car to be a total loss. In May 2024 AA offered a settlement based on the car having a market value of £19,440. Mrs D declined the offer and an interim payment. She considered it didn't reflect the market value, leaving her unable to purchase a suitable replacement.

In response to Mrs D's complaint AA said its valuation had been made fairly and in line with industry standards and guidelines. It didn't offer a higher settlement.

Unsatisfied with AA's response Mrs D referred her complaint to the Financial Ombudsman Service. She considers its valuation didn't reflect market values, meaning the proposed settlement hadn't allowed her to purchase a suitable replacement. She said being without the use of a car had caused her significant inconvenience. To resolve her complaint she asked for AA to provide a settlement reflective of market values, with interest applied to the payment and compensate her for causing her to be being without a vehicle.

Our Investigator felt AA's offer to settle the claim was fair and reasonable. So he didn't recommend AA pay Mrs D anything more or do any differently. As Mrs D didn't accept that as a resolution the complaint was passed to me to decide.

Mrs D has raised concerns, other than the settlement offer, with AA. I've haven't considered those here because she didn't set out them out as complaint points for this Service to consider.

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 this is an informal service I'm not going to respond here to every point or piece of evidence Mrs D and AA have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

Mrs D's policy covers her car against loss or damage. It provides AA with the choice of repairing, replacing or paying in cash the amount of loss or damage. The terms say the most AA will pay is the market value of the car. Market value is defined by the policy as the cost of replacing Mrs D's car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss.

So I've considered if AA's offer to settle Mrs D's claim is fair and in line with these terms. When looking into these types of complaints we check valuation guides, adverts and other relevant evidence. We consider whether the insurer has made a reasonable offer in line with the evidence. We generally find the guides persuasive because they're based on nationwide research of likely selling prices, so they can be more reliable than individual adverts. But as I've said we do consider other evidence.

AA used valuation guides to provide market values for the car around the date of loss. The valuations used Mrs D's car registration details so were based on its make, model, specification and age – with its mileage at the time of loss taken into account. It found valuations of £17,180, £16,750 and £19,440. Its settlement offer was based on the highest of those.

This Service used some guides to produce valuations. Again this was for a market value around the date of loss. These also used Mrs D's car's registration and mileage details to produce valuations based on its make, model, specification etc. All provided a market value below the one AA based its offer on.

So I'm satisfied AA's offer was in line with the highest of the valuations provided by the guides – and that appropriate information about the car was used to obtain those valuations.

Mrs D questioned the reliability of the guides. So I've considered the evidence she's provided to support a higher market value. She's provided several adverts. I've disregarded a few as whilst they are for the same make and model as Mrs D's car they are of a different specification or significantly lower mileage.

Within those that remain there's a selection with an asking price a little, but not significantly above, the highest guide valuation and AA's market value. The difference isn't enough to persuade me that guide valuation or AA's offer was unreasonable – or insufficient to fund a replacement of the same make, model, specification etc.

I've considered Mrs D comments about the condition of her car. She's said it had new tyres, a full-service history and was in immaculate condition. I'm not persuaded these features are enough to justify an increased market value. AA's market value was at the top end of the guides' valuation and within reasonable range of several adverts Mrs D provided. So I consider it likely reflected the cost of sourcing a replacement in similar condition.

I realise this will come as a disappointment for Mrs D but for the reasons given above, I find AA's settlement offer to have been fair and reasonable – and in line with the terms of her policy. It offered a fair settlement and interim payment shortly after the loss. So I'm not going to require it to pay an increased settlement, interest on her settlement or compensation.

My final decision

For the reasons given above, I don't uphold Mrs D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 30 December 2024.

Daniel Martin
Ombudsman