DRN-5164172

The complaint

Mr G and Mrs G complained about Advantage Insurance Company Limited's valuation of their car and other actions after they claimed under their motor insurance policy.

What happened

After Mr G and Mrs G's car was damaged in an accident, Advantage decided that it was beyond economic repair. For ease I'll refer mainly to Mrs G now , instead of both of them.

Advantage offered them various different amounts for their car's market value, which Mrs G rejected, before making a final settlement offer of £5,000. Mrs G wasn't happy with that either. Advantage also offered her £150 for their delay in arriving at that settlement amount.

Advantage sent Mrs G cheques for these amounts, but Mrs G didn't cash them. Advantage said that because they had settled the claim Advantage were entitled to retain the car and sell it for salvage. So if Mrs G wanted to retain the car, she'd have to pay Advantage about £1,000 for it, as that was its salvage value.

Mrs G didn't want to have to pay the salvage fee but wouldn't allow Advantage's salvage agents to have the car either. Mrs G wanted to keep their damaged car and have it repaired herself. She was unhappy that Advantage's market value settlement wasn't enough to cover the garage repair quote she'd received for that, which was about £10,000. Later Mrs G said Advantage's market value settlement wasn't enough because she couldn't buy an equivalent car with it.

Because Advantage had paid Mrs G the car's settlement value, but wouldn't give up the car, Advantage put a "stolen" marker on the car and later cancelled the cheques they'd sent Mrs G .

Mrs G said the car despite its damage was still roadworthy and mobile and the stolen marker prevented her from using it. She said she found it distressing to have a stolen marker on the car. She wanted Advantage to compensate her for that and for loss of use of the car, and to reimburse her consequential costs of running a car she couldn't use. Advantage didn't agree and so Mrs G complained to this Service.

The investigator though that the complaint should be partly upheld. He thought that Advantage had valued the car fairly and reasonably, but that they should compensate Mrs G for some of their other actions. Advantage agreed but Mrs G didn't agree, and so I've been asked 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.

As the investigator has explained, Advantage's obligations under the policy were to pay for any necessary repairs, replace the car or pay its market value immediately before the loss. It was Advantage's choice and Advantage chose to pay the market value. This was their right, and Mrs G had agreed to that when she took out the policy.

So although Mrs G wanted Advantage to pay for the car's repairs or give her enough for her to pay for its repairs, Advantage were not required to do that under the policy. Advantage were entitled to deem the car uneconomical to repair, or a total loss. And the policy says who owns the car once Advantage deem the cost of repair to be uneconomical and pay its market value. It says:

"As soon as a Total Loss settlement is …..paid by your Insurer, your Insurer is entitled to take possession and ownership of your Car and any salvage shall become your Insurer's property."

So when Advantage paid Mrs G the final settlement amount for their car, Advantage owned the car or were entitled be paid by Mrs G for its salvage value.

Market value

I've looked at Mrs G 's policy and it says that market value is:

"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 circumstances in which you bought it."

When looking at the valuation placed on a car by an insurance company this Service considers the approach they have adopted to decide whether the valuation is fair in all the circumstances. It isn't the role of this Service to come to an exact valuation of a consumer's car. But we do look to see if insurers have acted reasonably in looking to offer a fair market value of the car in line with the policy terms and conditions. We pay attention to the various trade valuation guides used for valuing cars. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. And we look at any other evidence provided by both sides. This evidence might include advertisements for the sale of similar cars. The age, mileage and condition of the car at the time of the incident are also important factors to consider.

The investigator looked at three trade guides to see whether Advantage's market value offer for their car was fair and reasonable. The guides showed values of £3,650, £3,320, and £4,236. Because the £5,000 Advantage offered Mrs G was higher than the highest of these, the investigator thought Advantage's offer was reasonable. And I can see Advantage have done their own review of online car sale examples too.

Mrs G didn't think Advantage's offer was enough and wanted several thousand pounds more for the car. In support of that she showed us screenshots of adverts for cars of a similar make and model to theirs, But although those cars were higher priced, they were newer models and/or had lower mileages. So they weren't comparable as regards age or mileage. And as I've said, this Service finds trade guides more persuasive, for the reasons above. Given there isn't any other evidence to persuade me that Advantage's valuation is inappropriate, I think it's a fair valuation.

So I think that Advantage acted in line with their policy terms and valued Mrs G 's car in accordance with our guidance. It's a fair and reasonable valuation and I don't ask Advantage to increase it.

Delay in offering market value

However I don't think that Advantage offered that fair market value within a reasonable time. This is because it was several months between the incident and Mrs G 's settlement payment of £5,000. Advantage had offered Mrs G lower amounts at first. So I think that Advantage should pay Mrs G interest on the first amount Advantage paid her for the car's market value(£3,450), over the period until they'd paid her the total of £5,000. That's because Mrs G lost out by being without the additional money owed.

Advantage also offered Mrs G £150 compensation for any distress and inconvenience she'd been caused over the months since the accident due to their late payment of a fair market value. However I'm looking at compensation in the context of everything else which happened too, the impact on Mrs G, and the duty on consumers to mitigate their loss.

Advantage applied a stolen marker to Mrs G's car for about a few months. Advantage did this because they'd paid Mrs G her car's market value which settled the claim, and so Advantage owned the car. If Mrs G wanted to keep the car, she'd have to pay them its salvage value of about £1,000. But Mrs G wouldn't give up the car to let Advantage 's salvage agents collect it ,or pay the salvage value, because she wanted them to pay enough to repair it. As I've explained above, Advantage weren't required to do that under the policy. So it wasn't fair for Mrs G to have the market value and hold onto the car and not pay the salvage fee either. Because she did this, Advantage put the stolen marker on the car.

Mrs G thought that that because she hadn't cashed Advantage 's cheques, and so didn't have the money, Mrs G still owned the car and Advantage shouldn't have put the stolen marker on it.

However until Advantage cancelled the cheques, Mrs G could have cashed them. So then Mrs G could have had both the car and her car's market value.

Mrs G said found having a stolen marker distressing, and Advantage didn't communicate when they'd put it on. Advantage said they only did that after having made several unsuccessful attempts to collect the car. And Advantage have shown that they did warn Mrs G they'd add the marker if Mrs G didn't respond by a particular date.

Nevertheless I think that for Advantage to put the marker on the car was a heavy handed reaction and wasn't reasonable. Advantage could have taken other options such as to cancel their cheques earlier.

However in considering the impact of that on Mrs G I've also got to consider the consumer duty to mitigate loss.

As the investigator explained , this Service expects consumers to mitigate their losses. In this case that would have meant Mrs G accepting that in paying her its market value, under the policy, Mrs G had to either give up her car to Advantage, or compensate Advantage for the loss of what was then Advantage's car. But that didn't happen. So there arose a deadlock situation.

Mrs G could also have mitigated her loss by accepting the market value payment without accepting it as full settlement and continuing to negotiate with Advantage for an increased amount, bringing the complaint to this Service if necessary. If she'd accepted the market value and paid Advantage for the salvage of her car, she'd have had funds to buy a new car. I think it would have been reasonable for Mrs G to do this and so mitigate her loss. Had that happened, Advantage wouldn't have put the stolen marker on the car.

And so I have to take that failure to mitigate loss into account when deciding what Advantage should pay in compensation for the distress they caused in putting the stolen marker on their car. For that reason I'm not going to compensate Mrs G for her claimed disruption caused to their daily life, or for the additional costs such as taxi costs and other costs she incurred because she had a car with a stolen marker on it that she couldn't drive.

But I do see that the impact of Advantage 's delay in making the final market value payment did cause Mrs G distress and inconvenience that required her time and effort to resolve.

And so I don't think the £150 Advantage offered is sufficient to compensate for that. I think that £450 does more reasonably reflect that. And so Advantage should pay her total compensation of £450.

This Service can’t tell a consumer how to proceed with a claim or what to do about alternatives here. So it’s up to Mrs G to decide whether to accept Advantage ’s final settlement payment and give her car up or alternatively keep the car and pay Advantage for its salvage value. However on the basis that Mrs G does proceed with the claim, I think that Advantage should pay interest on the difference between the first market value payment of £3,450 and the final market value of £5,000, from the date Advantage paid the first market value to the date they’d paid the full £5,000. They should also pay Mrs G a total of £450 compensation for the distress and inconvenience their actions caused her.

My final decision

For the reasons given above, my final decision is that I partly uphold the complaint and I require Advantage Insurance Company Limited to do the following:

- Pay Mr G and Mrs G 8% interest simple per annum on the £1,550 difference between the first market value (of £3,450) and the final market value (of £5,000) from the date the paid the first market value to the date they paid the full £5,000.
- Pay Mr G and Mrs G a total of £450 compensation for the distress and inconvenience Advantage’s actions caused them.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G and Mrs G to accept or reject my decision before 24 April 2025.

R. Scott

Rosslyn Scott
Ombudsman