

The complaint

Mr W is unhappy with Tradex Insurance Company PLC's settlement of his car insurance claim.

What happened

Mr W's car was involved in an accident in November 2023. He initially claimed through the third-party insurer (TPI) and its agents. But after his car was declared a total loss, and he was unhappy with the TPI's offer, he made a claim with Tradex.

Tradex offered Mr W a settlement in January 2024, that was based on a pre-accident value (PAV) of £5,543. It offered Mr W an interim payment based on this, which Mr W initially declined, but later accepted in January 2024.

Mr W was unhappy with Tradex's PAV, so he complained. Tradex issued a complaint response in February 2024. It maintained its PAV and said this was based on the average of the motor guide valuations it had obtained, and was supported by adverts it had found.

Mr W referred his complaint to the Financial Ombudsman Service. He was unhappy with delays on his claim and with Tradex's PAV. He wanted Tradex to settle his claim based on a PAV between £6,000 to £6,500.

The Investigator upheld the complaint. They said Tradex hadn't shown why its offer, below the highest valuation they'd found of £6,014, is fair. They said Tradex had used the incorrect date in obtaining a valuation for one of the guides, and they were not persuaded by the adverts Tradex had provided. They also said they weren't persuaded by Mr W's adverts for amounts higher than £6,014. They didn't think Tradex was responsible for delays, but they said its deduction of £100 for pre-existing damage was unfair. The Investigator recommended Tradex pay Mr W the difference between its PAV of £5,543 and the highest valuation of £6,014, with interest.

Mr W accepted. Tradex didn't agree. It said it had provided enough evidence to show its PAV was fair and that Mr W would be able to find a comparable replacement for this amount. It also provided further adverts in response.

Because the complaint couldn't be resolved, it's been 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 W's policy says the most Tradex will pay in these circumstances is the market value of the car. Market value is defined 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*". So I've considered if Tradex's offer to settle Mr W's claim is fair and in line with these terms.

I've reviewed the motor valuation guide evidence Tradex provided. Motor valuation guides are what we would usually refer to when dealing with complaints about market valuation. The valuation guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. We expect insurers to use motor valuation guides when valuing a car for claims purposes. Based on the circumstances of Mr W's claim, I think it's fair that Tradex has used the valuation guides here.

I agree with the Investigator that Tradex used the wrong date on one of the guides. It used a date in January 2024, but the terms say the market value is based on the cost immediately before the loss or damage happened. The Investigator obtained a valuation of £6,014 when using the correct date. Tradex did provide a further valuation using the correct date, but given its initial error with the guide, and the fact that it carried out its valuation after the Investigator, I consider the Investigator's valuation to be more reliable.

Taking the above into account, the valuations I've seen from four guides, give values between £4,995 and £6,014. The guides have produced valuations which vary significantly from the lowest to the highest. And in order to minimise detriment to the insured, the Financial Ombudsman Service feels it's fair to rely on the highest valuation returned by the motor valuation guides. In this case, it's £6,014. This is unless the insurer can show there is good reason to think a lower value/its lower value is fair.

I've carefully considered the adverts provided by Tradex in support of its PAV. There are four adverts from January 2024, but these are a mixture of cars sold privately, older models, with higher mileage and one with only part service history. Tradex provided three more adverts in September 2024, following the Investigator's view. But these were for newer models, some sold privately, and some with different engine sizes to Mr W's car. And given these adverts were likely found in September 2024, I don't think they can fairly be relied on to decide the likely market value at the date of loss in November 2023, as required under the terms.

So overall, I don't think it's fair for Tradex to rely on the adverts it found, and I don't consider them to be sufficiently persuasive. Mr W also provided adverts, some of which support the higher guide valuation of £6,014. But the adverts he provided for amounts greater than this were for cars with a lower mileage or different specification. So I don't consider these higher value examples to be comparable to his car, or persuasive in the circumstances.

All things considered, I think the fair and reasonable thing for Tradex to do, is to pay Mr W a settlement based on a PAV in line with the highest valuation returned by the motor valuation guides. This represents a further £471 on top of what Tradex has paid. And because Mr W was unfairly without this additional amount, I think Tradex should add interest to this amount.

Tradex said its PAV would have been £5,643, but it applied a £100 deduction for pre-existing damage to the car's rear bumper. I've seen Tradex's report from January 2024, but they don't contain high resolution images. The images in the report do show some scuffs, but I'm unable to see clearly the extent of any damage.

Furthermore, Tradex hasn't provided enough evidence to persuade me this damage would have had an affect on the value of a car as old as Mr W's was.

Overall, considering what's fair and reasonable in the circumstances, I don't think it's fair for Tradex to apply the £100 deduction for pre-existing damage.

Mr W made the claim with Tradex after he was unhappy with the TPI's settlement offer. Tradex then contacted the parties that previously dealt with Mr W's claim. It wasn't until

January 2024 that they actioned what was needed to allow Tradex to proceed. Tradex then offered Mr W an interim settlement within a reasonable amount of time. For these reasons, I don't find that Tradex caused any avoidable delays in the settlement of Mr W's claim.

My final decision

My final decision is that I uphold this complaint. I require Tradex Insurance Company PLC to:

- Pay Mr W a further £471 to settle his claim.
- Pay interest on the above amount, from the date of its original offer, to the date it completes payment. The rate of interest is 8% simple interest per year.*

* If Tradex Insurance Company PLC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 7 January 2025.

Monjur Alam
Ombudsman