DRN-5177504

The complaint

Mr L has complained that the offer made to him by his motor insurer, Acromas Insurance Company Limited ('Acromas'), for the market value of his car was too low. He is also unhappy with its service.

Acromas is the underwriter of this policy i.e., the insurer. During the claim Mr L also dealt with other businesses who act as Acromas' agents. As Acromas has accepted it is accountable for the actions of its agents, in my decision, any reference to Acromas includes the actions of the agents.

What happened

In July 2024, a third-party car collided with Mr L's car whilst it was parked which rendered it a total loss.

Mr L made a claim on his policy with Acromas who assessed the car and made him an offer for the market value of the car. Mr L wasn't happy with the offer of £10,596 and said he wouldn't be able to buy a suitable replacement for his car. He said he wanted to buy a replacement from a dealership due to the service that comes with that and also the warranty.

After some consideration Mr L agreed to accept the £10,596 as an interim payment which was raised just over a week after the accident.

In addition to not being happy with the valuation Mr L was also concerned about how Acromas and its agents arrived at the valuation and felt that the repair costs were exaggerated so the car wouldn't be deemed repairable. He was also unhappy with Acromas' service and said he received a call from someone who was employed by the approved repairers who tried to buy the car from him for one of his children.

Acromas responded to Mr L's complaint and upheld it in part. Acromas increased its total loss offer to £11,137 as a goodwill gesture and issued a further interim payment to Mr L. But it didn't uphold Mr L's other complaints. It said that its handlers were professional throughout their conversations with him and added that it wasn't able to know what was discussed between Mr L and its agents. But it said that it had checked the repair costs and valuations and that they were also checked by an independent company. So it didn't believe that the figures had been altered to benefit the approved repairer.

Mr L didn't agree and brought his complaint to us. He said he felt that a reasonable market valuation for his car was £13,000 and said that his main objective wasn't the money but to have a replacement vehicle that was as good as or better than the one he lost. He provided examples of “approved used” cars from a dealership which were valued between £12,999 and £14,230.

Mr L added that Acromas had not been in contact with the third-party insurer (who insured the at-fault driver) or the driver themselves to request a higher valuation. He also said he hadn’t had a car since July 2024 and thought Acromas should be compensating him for this as well as the fact that he has had to go through the process of complaining, which is a long process.

One of our investigators reviewed the complaint and thought that Acromas should increase its offer to £12,018, this being the highest valuation provided by industry motor trade guides. Our investigator also didn’t find additional evidence provided by either party, including adverts, to be persuasive and relevant as the examples provided were not similar to Mr L’s car. Our investigator also pointed out that, under the policy, Acromas had to pay the market value which was based on a replacement vehicle of the same make, model, specification etc. and not the cost of purchasing an approved used replacement from a dealership.

Our investigator also said that it wasn’t for Acromas to try to persuade the third-party insurer to increase the valuation as, under the policy, it only had to compensate him for the market value of the car immediately before the loss. So she didn’t think it was wrong that Acromas didn’t ask the third party insurer to pay the difference between this and the settlement figure Mr L was after.

In relation to Mr L’s conversation with the approved repairer’s employee, our investigator acknowledged that Acromas investigated this but as the call wasn’t recorded the matter didn’t go further. But she also noted that the valuation and repair costs were checked by an independent engineer, so she didn’t feel that the costs had been inflated.

Mr L agreed but Acromas didn’t. It said that it had made a £60 deduction for wear and tear which our investigator didn’t consider. It said this was due to some pre-existing damage to the car. It also felt that the £12,018 wasn’t an accurate valuation as it was generated by our investigator after the complaint came to us. It also felt the fairest way to assess the market value of the car was to use two specific trade guides (which in this case returned lower valuations). It said they were based on sold values as opposed to the remaining two guides which were based on advertised or auction prices.

Our investigator issued a further view and said that the £12,018 valuation was produced later by her as Acromas wasn’t able to provide evidence of how it arrived at its figure of £11,197 using the same trade guide. But she also acknowledged that another one of the guides Acromas used produced a higher valuation at £11,831. Our investigator added that she didn’t make deductions for minor wear and tear as this would have been factored in by the trade guides. She also clarified that our service’s approach is to use all trade guides and not just the two it had referred to. She added that Acromas should pay interest on the £881 shortfall it pays to Mr L.

Acromas 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.

<u>The valuation</u>

The terms and conditions of Mr L's policy say that, amongst other things, the most Acromas will pay is the market value of the car at the time of the loss or damage.

The policy defines the market value as:
"*The cost of replacing your vehicle with a vehicle of the same make, model, specification, age, mileage and condition as your vehicle was immediately before the loss or damage you are claiming for.*"

Our service has an approach to valuation cases like Mr L'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.

Acromas used the four motor guides we use which produced values of £11,197, £11,831, £10,560 and £10,632. I've also reviewed the valuations our investigator obtained, and the guides returned values of £12,018, £11,831, £10,620 and £10,795 respectively. I think the valuations obtained by both parties are broadly in line with one another and I'm therefore satisfied that Acromas' valuations are for Mr L's car. The values are also fairly close to each other and I, therefore, didn't consider any to be an outlier. So, I haven't discounted any of them. Our investigator asked Acromas for a screenshot of the first guide so we could see that all the details were inputted correctly but it wasn't able to provide this. So, in accordance with our approach, our investigator rerun that valuation herself which returned a higher value. I appreciate that Acromas didn't agree but as we can't be sure that the information inputted originally was correct, I think it was correct for our investigator to obtain this valuation herself.

Acromas valued Mr L's car at £11,137 which is a value it arrived at using the guides. Acromas has also provided an advert for a car that was being sold for £11,900 which was higher than what it offered Mr L. The car in that advert had higher mileage than Mr L's and the advert didn't say how many owners it had or whether it had a full-service history like Mr L's car. So I haven't put as much weight on the advert as I have on the trade guides though I think it suggests that Acromas' offer was low as it shows a car with higher mileage being advertised for around £800 more than what it had offered Mr L.

Mr L has provided adverts from a dealership's site which I have considered but discounted as they were for cars that were at least two years younger than Mr L's. I appreciate that Mr L would like a like for like or better replacement for his car but this isn't what his insurance covers. As I said above, under his policy Acromas will pay the market value of the car immediately before the incident based on a car of similar specification, age etc.

Looking at the valuations produced by the guides I'm not persuaded that Acromas' offer of £11,137 is fair. This is because it hasn't shown why its offer is fair or that Mr L can replace his car with a similar one for the amount offered. In these circumstances, to be satisfied that Acromas' offer represents a fair valuation, I'd expect to have been provided with other evidence to support that a lower valuation point is appropriate. And I'd need to be satisfied that this evidence is relevant and persuasive before accepting that a lower valuation should be used. As I said above, I didn't find Acromas' additional evidence persuasive that a lower valuation should be used and I think that it, in fact, indicated that a higher valuation was more appropriate.

Given there isn't any other relevant evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr L the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that a more appropriate and fair market valuation would be £12,018. And I think that Mr L should be paid 8% simple interest for the time he has been without the additional money owed.

I appreciate that Acromas considers that two of the four guides provide more accurate valuations but our service's approach is based on considering all the available guides.

<u>Service issues</u>

Mr L was unhappy as he felt that the repair costs may have been overestimated and he was also concerned by a call he said he received from the approved repairers offering to buy the car from him. As our investigator said the repair costs and the total loss decision were reviewed by other engineers who agreed. In the absence of any evidence to suggest otherwise, I'm not able to say that the values were inflated.

From what I have seen, Acromas investigated the call Mr L said he received but the investigation didn't go further as the call was not recorded and it was one's word against the other. I don't think there is anything further Acromas could have done in the circumstances. I think its investigation shows that it took the matter seriously and I think its actions were fair and reasonable.

Mr L also said that he didn't think Acromas did enough to persuade the third-party insurers to increase their valuation. As Acromas and our investigator said this isn't something that Acromas is able to do. It can only deal with the claim as required by the policy and it isn't required to negotiate a higher valuation with the other side, nor do I think that would have been appropriate.

Mr L was initially unhappy about Acromas handlers' professionalism but this isn't something that he raised with us so I haven't addressed it in this decision.

Mr L also mentioned to us that he felt Acromas should compensate him for being without a car from July 2024. I can't see that this is something he raised with Acromas so I'm not able to look into this. What I will say is that, as expected, Acromas issued an interim payment to Mr L early on to enable him to find a replacement car. And I also note that Mr L was in a hire car so he had some transportation at least initially.

Mr L also felt he should be compensated for having to go through the complaints process but this isn't something we would normally award compensation for. We are a free and informal service and aim for our process to be as smooth as possible.

My final decision

For the reasons above, I have decided to uphold this complaint. Acromas Insurance Company Limited must pay Mr L the shortfall between the £11,137 it has paid so far and the £12,018 which I felt was a more appropriate valuation. It must add 8% simple interest per year on the shortfall from the date of its first interim payment to Mr L until the date of settlement.

If Acromas Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L how much it's taken off. It should also give Mr L 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 L to accept or reject my decision before 26 December 2024.

Anastasia Serdari
Ombudsman