DRN-5190660

The complaint

Mr H complains that U K Insurance Limited ("UKI") mishandled his claim on a motor insurance policy.

What happened

The subject matter of the insurance, the claim and the complaint is an electric car or sports utility vehicle, made by an Asian car maker and first registered in December 2020.

For the year from 19 May 2024, Mr H had the car insured on a comprehensive policy under which UKI was responsible for dealing with any claim. Any claim for damage (other than a glass claim) was subject to an excess of £400.00.

Unfortunately, Mr H reported that on about 23 May 2024, an accident had damaged the car.

UKI said the car was a total loss and that its pre-accident value had been £13,916.00. The car had a recorded milage of about 59,500.

Mr H complained to UKI that it was unfairly under-valuing the car.

After deducting the excess of £400.00, UKI paid Mr H £13,516.00 on about 10 June 2024, without prejudice to his right to bring his complaint to us.

By a final response dated 18 June 2024, UKI turned down the complaint. The final response included the following:

> "…*in this instance, a comparable vehicle was being advertised for £14,299. However, we are aware this is an advertised price and is subject to negotiation like most vehicles*."

Mr H brought his complaint to us without delay.

our investigator's opinion

Our investigator didn't recommend that the complaint should be upheld. He thought that £13,916.00 fairly reflected the market value of the vehicle.

Mr H disagreed with the investigator's opinion. He asked for an ombudsman to review the complaint.

my (first) provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr H and to UKI on 6 November 2024. I summarise my findings:

> A more appropriate fair market valuation would be £14,532.00.

Subject to any further information either from Mr H or from UKI, my (first) provisional decision was to uphold this complaint in part. I intended to direct U K Insurance Limited to pay Mr H:

1. in addition to its payment of £13,516.00, a further £616.00 for his car; and

2. simple interest on that further payment at a yearly rate of 8% from 10 June 2024 to the date of the further payment. If UKI considers that it’s required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr H how much it’s taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Mr H accepted the (first) provisional decision.

UKI disagreed with the (first) provisional decision.

my (second) provisional decision

After reconsidering all the evidence, I issued a second provisional decision on this complaint to Mr H and to UKI on 21 November 2024. I summarise my findings:

> I was minded that a more appropriate fair market valuation would be £14,227.00.

Subject to any further information either from Mr H or from UKI, my (second) provisional decision was to uphold this complaint in part. I intended to direct U K Insurance Limited to pay Mr H:

1. In addition to its payment of £13,516.00, a further £311.00 for his car; and

2. simple interest on that further payment at a yearly rate of 8% from 10 June 2024 to the date of the further payment. If UKI considers that it’s required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr H how much it’s taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Mr H disagreed with the second provisional decision. He says, in summary, that:

- The claim was undervalued should the history and condition of his vehicle be fairly considered.

UKI disagreed with the second provisional decision. It says, in summary, that:

- Its offer at £13,916.00 was circa 2% (or £311.00) lower, which it suggests is 'very close' to the top guide and should be considered as fair.

- The Autotrader adverts support its position. The Autotrader 'Price position' % is a proxy for advert comparability. It allows for a greater number of vehicles to be considered as relevant points of evidence, as it uses its own algorithms to independently and fairly adjust for differences in mileages vis a vis the insured vehicle (e.g. to compare a vehicle with a higher price but lower mileage with one with a lower price but a higher mileage).

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.

UKI's policy requires it to compensate Mr H for the market value of their vehicle. The policy defines 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*."

In assessing what constitutes a fair value we generally expect insurers to review relevant guides to motor valuations - which is also our starting point for most valuation complaints.

I've looked at the available guides to assess whether UKI's offer of £13,916.00 is fair and reasonable. I have reviewed CAP Market Value Manager, Glass's Market Value, AutoTrader and Percayso guides, which gave values as follows:

CAP	£13,250.00
Glass's	£14,130.00
AutoTrader	£14,361.00
Percayso	£14,532.00

Those are figures that our investigator found in September 2024, for a valuation at the time of the loss.

UKI had shown us figures that it found in late May or early June 2024, also for a valuation at the time of the loss. They were as follows:

CAP	£13,250.00
Glass's	£14,130.00
AutoTrader	£14,227.00
Percayso	£14,057.00

So the CAP and Glass's figures hadn't changed. And I'm satisfied that all the figures were for the correct vehicle details including mileage.

But the AutoTrader and Percayso figures had increased retrospectively. That is something that we see from time to time.

I consider that – in assessing whether UKI's figure was fair - I should place more weight on the figures that UKI got earlier rather than the figures that the investigator got later. I say that for two reasons. The first is that the earlier figures were closer to the time of loss and therefore more reliable. The second is that the earlier figures were the ones available to UKI when it assessed the car.

Looking at those valuations produced by the guides, I'm still not persuaded that UKI's figure of £13,916.00 is fair and reasonable.

This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. UKI's offer of £13,916.00 sits in line with some of the lower values produced by these guides, but UKI hasn't shown why this offer is fair, or that Mr H can replace their car with a similar one for the amount offered.

In these circumstances, to be satisfied that UKI's offer represents a fair valuation, I'd expect to have been provided with other evidence (for example, adverts for cars for sale around the time of the loss, reports from experts etc) to support that a lower valuation point is appropriate. And I'd need to be persuaded that this evidence is relevant and persuasive (and more persuasive than evidence provided by Mr H) before accepting that a lower valuation should be used.

Previously, UKI provided additional evidence, specifically an advertisement for a similar vehicle priced at £14,299.00. But I still don't find it persuasive because it is only one advert and it is higher than UKI's valuation.

UKI had said that the CAP figure (of £13,250.00) supports its figure of £13,916.00. However that is to say that the lowest of the four figures supports an average of the four figures. That's not in line with our approach.

Although Mr H had also provided me with other evidence to show that a valuation outside the guides is more appropriate, I don't find this persuasive because:

- Whilst I accept that Mr H acquired the car in August 2023 at a price of £17,700.00 from a main dealer franchised by the car maker, I don't regard that as a sufficiently "recent" purchase to make it fair to use that figure for a valuation in May 2024.

- Whilst I accept that in May 2024, Mr H's car had a full service history and the benefit of a manufacturer's warranty, a comparable vehicle with a service history recorded as "unknown" doesn't show that its service history was such as to invalidate the manufacturer's warranty.

- The adverts Mr H has provided are for vehicles that aren't sufficiently comparable in model, age and mileage.

UKI's response to the second provisional decision

UKI says that, compared to the highest guide valuation, its offer of £13,916.00 was circa 2% (or £311.00) lower, which it suggests is 'very close'.

However, the highest guide valuation was £14,227.00. I calculate that £311.00 is more than 2% of that figure Whilst it is close, the offer of £13,916.00 wasn't, in my view, close enough to make it reasonable without further evidence.

UKI also says that AutoTrader provides such further evidence.

However, I still think that the AutoTrader adverts formed part of the evidence base for AutoTrader's valuation of £14,227.00. So I don't accept that those adverts are more persuasive than the AutoTrader valuation.

Mr H's response to the second provisional decision

Mr H says that claim was undervalued should the history and condition of his vehicle be fairly considered.

However, whilst I accept what Mr H says about the history and condition of his vehicle, I don't find that enough reason to value the vehicle at any higher than £14,227.00.

Conclusion

I'm still not persuaded that a valuation in line with the higher guides is inappropriate, and to avoid any detriment to Mr H, that is my starting point.

Considering that, and the valuations produced by the guides I conclude that a more appropriate fair market valuation would be £14,227.00.

Putting things right

That will require UKI to pay Mr H, in addition to its payment of £13,516.00, a further £311.00 for his car. I take the view that UKI should've paid that further amount on about 10 June 2024, so I find it fair and reasonable to direct UKI to pay interest at our usual rate from that date.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct U K Insurance Limited to pay Mr H:

1. In addition to its payment of £13,516.00, a further £311.00 for his car; and

2. simple interest on that further payment at a yearly rate of 8% from 10 June 2024 to the date of the further payment. If UKI considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr H how much it's taken off. It should also give him a certificate showing this 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 H to accept or reject my decision before 3 January 2025.
Christopher Gilbert
Ombudsman