DRN-5201122

The complaint

Miss K complains about the settlement that esure Insurance Limited offered her for the total loss of her car following a claim made on her motor insurance policy. And she's also unhappy with how it handled her claim.

What happened

Miss K's car was damaged in an accident, and she made a claim on her policy. esure offered her £15,206, less the £550 policy excess, in settlement of her claim. But Miss K was unhappy with this and with the level of service she received. She thought she couldn't replace her car for this amount. She thought it would cost about £17,650, as shown by adverts, to replace her car. She was also unhappy with esure's repairs estimate, with the salvage figure she was given to buy back her car, and with esure's customer service.

Our Investigator recommended that the complaint should be upheld. She thought esure had reasonably based its settlement for the car's market value on the motor valuation guides we use. She thought its offer was the highest of the valuations provided by the guides. So she thought this was fair and reasonable.

She also thought esure was entitled by the policy's terms and conditions to decide how to settle Miss K's claim. And she thought it had reasonably relied on its engineer's reports to decide that the car was beyond economical repair. But she thought it had provided an incorrect salvage value and this had deprived Miss K of the opportunity to retain her car. And she thought esure should pay Miss K £600 compensation for the impact of this incorrect advice and for some of its communication with Miss K.

esure agreed to do this. But Miss K was unhappy with this compensation. She thought esure had given her an incorrect salvage value, and possibly incorrect repairs costs and this had led to her losing her car. Miss K asked for an Ombudsman's review, so the complaint has come to me for a final decision.

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.

I can understand that Miss K wants a fair settlement for the loss of her car. She said she'd seen similar cars advertised for higher prices and so she was disappointed with esure's offer. She said she wasn't able to replace her car with a similar one with the settlement.

Miss K also thought her car may have been repairable. Miss K said her local garages had provided lower repairs estimates than esure's engineers. But I'm satisfied that esure relied on its detailed engineer's reports to decide that the car was beyond economical repair. And I can see that it's entitled to do this by the policy's terms and conditions. So I can't say that esure did anything wrong in deciding not to repair Miss K's car but to pay her its market value instead.

Miss K's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet:

"The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including: Glass's, Parkers, Cazana and CAP. This may not be the price you paid when you purchased the car."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor valuation guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought esure's settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and extras as Miss K's car at the date of its loss.

Miss K provided adverts for similar cars advertised at higher prices. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the valuation guides are used as they provide evidence of likely retail selling prices. But I have considered these and looked to see where the advertised cars are identical to Miss K's. But the ones I've seen aren't identical so I can't say this is a reason to increase the valuation.

Given the current challenges in the used car market the motor valuation guides have a wider range of values then we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

esure had provided a valuation of £15,206, which was the highest of the valuations provided by the guides. This was despite it finding examples of similar cars advertised for sale at lower prices. The optional extras didn't add value, which isn't unusual. And it deducted the £550 policy excess, which is always the first part of a claim to be paid. And so I agree that esure's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this.

esure has now agreed that its level of service has been at times wanting. Miss K was provided with a retention figure it can't explain and that isn't supported by its agent's estimate of the salvage value or the actual auction result. Miss K said that if the correct value had been provided, then she would have retained her car. And I think this has caused her avoidable frustration and a loss of expectation.

Also, Miss K was initially provided with incorrect lower valuations when this should have been correct the first time. I think this caused her avoidable trouble and upset to remedy. esure doesn't seem to have heard Miss K's clear requests to buy back her car's salvage.

And I can see that at times Miss K didn't receive promised calls back, which caused her stress and anxiety.

When a business makes mistakes, as esure accepts it has done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the errors had on the consumer.

esure can't now return Miss K's car to her. So I think it should compensate her for the loss of expectation and trouble and upset this caused her. And I think esure should reasonably compensate Miss K for the impact of its incorrect valuations and its level of communication with her.

esure has agreed to pay Miss K £600 compensation for this trouble and upset. I think that's in keeping with our published guidance where the impact of an error has been felt over a month. And so I'm satisfied that this compensation is fair and reasonable, and I don't require esure to increase this.

Putting things right

I require esure Insurance Limited to pay Miss K £600 compensation for the distress and inconvenience caused by its handling of her claim.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require esure Insurance Limited to carry out the redress set out above, as it's already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 3 February 2025.

Phillip Berechree
Ombudsman