

The complaint

Miss H complains that esure Insurance Limited haven't given her a fair settlement valuation for her car after it was deemed a total loss.

What happened

In 2023 Miss T made a claim on her car insurance policy following an accident in which the third party admitted liability.

Esure initially valued the car at £3103 before deduction of the excess, and later increased it to £3283 with their final response.

Miss T wasn't happy with this as she says esure have undervalued the car as she bought it less than a year before for £3800 and it had low mileage and a top specification. She brought her complaint to us.

One of our investigators has looked into Miss T's complaint and he thought that the valuation figure offered by esure was too low, and recommended it be increased to £3715. He also recommended esure pay interest on the difference from October 2023 when the initial settlement was made until they make the payment for the difference.

Esure agreed to the increased valuation, but they didn't agree that they should have to pay the interest on the settlement as they said that Miss T had initially accepted their settlement - which was paid on 1 October 2023 - and didn't bring her complaint until September 2024. Esure have asked for an ombudsman's 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'm upholding Miss T's complaint and I will explain why.

Valuation

The valuation of a used car isn't an exact science, and its standard practice for the industry to use valuation guides to work out the estimated market value of a car when offering settlements for total loss.

In Miss T's case, the guides provided the following retail valuations for the model of her car:

Glass's – £2990
CAP – £3143
Autotrader £3113
Percayso – £3715

Esure initially paid 3103 and then in October 2024 increased this to £3283.

However, our approach is that to avoid any detriment to Miss T, the highest valuation produced by the guides is the starting point for any valuation, and this can be reduced if there is evidence to support a reduction. Esure haven't provided me with any evidence which suggests that a lesser valuation is appropriate and so I'm satisfied that £3715 is an appropriate valuation here. I'm pleased to see that in order to settle the complaint, esure have agreed to pay the increased valuation.

Interest

The investigator has awarded interest on the difference in settlement from 1 October 2023 until the date that the difference is paid.

Esure have argued that as Miss T initially accepted the settlement and didn't bring the complaint to them until some time later, she shouldn't be entitled to interest back to the date of the original settlement.

It's clear from the complaint form that Miss T sent to us in September 2024 that she considered settlement for her car to be an undervalue from the outset, having bought the car for significantly more only shortly before it was written off. However, she didn't raise this until she brought her other complaints about esure to us in September 2024. There are many reasons why a consumer doesn't bring a complaint to us straight away but provided they do so within the statutory time limits, they shouldn't be penalised for doing so.

Whilst I appreciate that esure may consider that until they knew about the complaint, they didn't have the opportunity to put it right, there is still an undervaluation in our view, and it is still fair for Miss T to receive the interest on that loss from the time it would have been incurred until the date it is settled in line with our normal approach.

Putting things right

In order to put things right esure should

- Increase the total payment to Miss T for her vehicle to £3715
- Pay 8% simple interest per annum on any difference in payment from the date the initial valuation payment was made on 1 October 2023 until settlement is made – this payment will need to be calculated in two parts if an additional payment was made for the increased settlement in October 2024.

My final decision

I'm upholding Miss T's complaint about esure Insurance Limited and directing them to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 28 January 2025.

Joanne Ward
Ombudsman