

The complaint

Mr L complains about how his insurer, Aviva Insurance Limited (Aviva) valued his vehicle as a total loss following an accident.

Any reference to Aviva in this decision includes their agents.

What happened

In March 2024 Mr L's vehicle was stolen and unfortunately not recovered. He contacted Aviva to tell them about the theft and lodge a claim. Aviva valued the vehicle at £17,155. Deducting the policy excess of £650 meant a net settlement of £16,505. Aviva made payment of the settlement on a provisional ('without prejudice') basis.

Mr L was unhappy at the valuation, so he complained to Aviva.

Aviva didn't uphold the complaint, saying in their final response they determined market value by reviewing the mileage adjusted figures for Mr L's vehicle against the available industry valuation guides. They would then research the market for similar vehicles to ensure the valuation guides were a realistic representation of the vehicle's value. Having reviewed the case, Aviva didn't feel an increase in their valuation of £17,155 was justified. Nor were they able to provide any substantiation of their valuation as this would have been considered as part of their valuation process.

Mr L then complained to this Service. He said the claim had been closed without his accepting a final valuation for his vehicle. Aviva's valuation of £17,155 was £1,800 below what he considered was the vehicle's value. Being out of pocket by this amount had caused him additional stress to that from the theft. He wanted Aviva to value the vehicle to reflect what he'd have to pay to replace his vehicle with one of similar specification, mileage, age and condition (within 70 miles). The nearest he could find to his own was priced at £19,000.

When providing their business file to this Service to investigate Mr L's complaint, Aviva said they'd further reviewed the case. As a result, they made a revised offer of £17,500 (an increase of £345). Our investigator put Aviva's revised offer to Mr L, but he declined it.

Our investigator didn't uphold the complaint, concluding Aviva acted reasonably. He looked at four recognised valuation guides for Mr L's vehicle together with copies of vehicles advertised for sale provided by Mr L and also from Aviva. Having done so, he thought Aviva's revised offer of £17,500 was fair.

Mr L disagreed with the investigator's view and asked that an Ombudsman review the complaint. He said the investigator hadn't commented on Aviva's initial offer of £14,400 which was significantly less than their revised offer. Aviva had also kept their examples of vehicles advertised for sale from him, so he wasn't able to assess whether they reasonably matched the value of his vehicle. That would reflect a number of factors, such as mileage, condition, trim level and optional extras. While there were vehicles advertised for less than the £19,000 he'd seen, these were in parts of the UK a significant distance from his home. Which would have meant significant transport costs. He also thought the optional extras on

his vehicle would be worth £1,000 to the valuation. And additional accessories fitted to his vehicle would be worth £1,065.

Mr L also, having been provided with copies of the example vehicles advertised for sale by Aviva, challenged whether they were sufficiently similar to his own vehicle, bearing in mind the optional extras and accessories fitted to his vehicle. Our investigator considered Mr L's points but maintained his view. Having checked the impact of the optional extras listed by Mr L, while the new cost of the extras was £3,170 the used value of the extras was only £250. So, this didn't materially affect the valuation of Mr L's vehicle.

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.

My role here is to decide whether Aviva has acted fairly towards Mr L.

The key issue in Mr L's complaint is the valuation of his vehicle as the basis for Aviva's settlement offer. He says neither Aviva's initial valuation (£17,155) or revised offer (£17,500) is sufficient for him to purchase an equivalent replacement vehicle, for less than £19,000. Aviva say their revised valuation is fair, being based on recognised industry valuation guide figures and additional, market examples of vehicles advertised for sale.

Having considered the available evidence and information, I'm upholding the complaint, based on Aviva's revised offer to resolve the complaint. I'll set out why I've come to this conclusion.

As the complaint revolves around the valuation of Mr L's vehicle, I've looked at what the policy provides for. Market value is defined as:

"The cost of replacing your car with one of the same make, model, specification and condition."

Mr L doesn't feel the figures from the valuation guides accurately reflect the market value of his vehicle. Nor the examples of vehicles for sale used by Aviva to support their valuation offer. In particular, they don't reflect optional extras and accessories fitted to Mr L's vehicle.

As a Service, our approach to vehicle valuations starts by looking at an insurer's valuation, which we generally expect to be based on relevant industry valuation guides (which is also the approach we adopt as a Service). We'd expect the insurer's valuation to be within a certain percentage of the highest valuation guide figure (or higher). If it was then we are likely to say it's fair. Unless there is other evidence to say this is unfair (and an insurer can evidence its offer is fair and reasonable when it's lower than the highest guide value).

Turning to the industry valuation guides, from the information provided by Aviva, they used two guides, based on retail transacted values. The valuations were based on the registration details of Mr L's vehicle and adjusted for the mileage at the time of the theft (below average for the age of the vehicle).

- (A) £18,410
- (B) £13,550

There is a significant difference between these two figures. Even calculating an average of the two (£15,980) produces a figure less than the £17,155 initially offered by Aviva (or the revised offer of £17,500).

Checking the valuations directly, they are at (or very close to) the equivalent valuations we obtained as part of our investigation of Mr L's complaint. They are based on inputting Mr L's vehicle registration and the mileage at the date of the accident. Two of the valuations are from the same guides as those given by Aviva (A) and (B) and the third (C) and fourth (D) from two further valuation guides used by this Service:

- (A) £18,410 (retail transacted value)
- (B) £13,550 (retail transacted value)
- (C) £16,294 (market value)
- (D) £16,561 (retail valuation)

So, I've concluded the valuations used by Aviva were accurate valuation guide figures, using appropriate input data.

While the figure from (A) is above Aviva's offer, the three other figures are below. And the figure for (B) is significantly below. I've then considered the evidence from advertised vehicles for sale, as Aviva's offers are below the valuation from (A).

Aviva's claim notes record five examples of similar vehicles, for the same year of Mr L's vehicle (a mix of the two registration marks for the year) ranging from £16,098 to £16,999. One of the vehicles appears to be the same as one of the examples of vehicles advertised for sale provided by Mr L (£16,098). The five examples provided by Mr L range from £16,098 to £19,000. Three are advertised between £16,098 and £16,995 and two at £18,999 and £19,000. But the latter are for the later registration mark for the year of Mr L's vehicle, so would be likely to be advertised at a higher figure than the other three vehicles, which have the earlier registration mark for the year in question.

Looking at vehicles advertised for sale, our Service found five examples (September 2024) in the range £16,950 to £17,490 (all at lower mileages to Mr L's vehicle).

Mr L challenges the advertised vehicles for sale provided by Aviva, particularly whether they are of a similar specification to his vehicle. He maintains the optional extras fitted to his vehicle, as well as the accessories fitted, should both increase the valuation of his vehicle (by £1,000 and £1,065 respectively). However, while the cost of optional extras and accessories can be significant (when added as new) that doesn't mean they add value to a vehicle when it comes to replacement. In this case, using a specialist valuation tool, the extras fitted to Mr L's vehicle would only add £250 to the vehicle valuation.

Mr L also says the location of vehicles advertised for sale should be considered. While I recognise Mr L would wish to obtain a replacement vehicle reasonably close by where he lives, this doesn't mean advertised vehicles further afield should be discounted. If a vehicle is advertised at an attractive price, then I don't think it unreasonable for a consumer to consider a purchase, even if the journey to acquire the vehicle is significant – that would be a factor in the decision whether to purchase the vehicle.

Mr L also refers to Aviva's initial offer of £14,400. However, that wasn't the figure they subsequently offered and confirmed in their final response (£17,155). So, in considering the case I've started with the latter figure.

Taking all these points into account, I've concluded Aviva acted fairly in making a revised settlement based on a valuation of £17,500. However, as this is £345 higher than the initial valuation (and provisional settlement they've paid Mr L) and was made after their final response and Mr L's complaint to this Service, then this means I am upholding Mr L's complaint. As well as paying Mr L the additional £345 they should also add interest on the increase.

My final decision

For the reasons set out above, my final decision is that I uphold Mr L's complaint. I require Aviva Insurance Limited to:

- Pay Mr L a further £345 in respect of their revised settlement valuation of £17,500 (having already paid the initial settlement figure, based on a valuation of £17,115).
- Pay interest, at a rate of 8% simple, on the increase of £345 from the date they paid the initial settlement to the date they pay the additional £345.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 January 2025.

Paul King
Ombudsman