DRN-5237018

The complaint

Mr M has complained that the offer made to him by his motor insurer, Accredited Insurance (Europe) Ltd ('Accredited'), for the market value of his car after it was declared a total loss was too low and wants it to be increased.

What happened

In April 2024, Mr M's car was declared a total loss after he was involved in an accident which he wasn't at fault for.

Accredited initially offered Mr M £16,400 for the market value of his car which it later increased to £16,694. Mr M wasn't happy about this and complained and said this offer wasn't sufficient to enable him to buy a like for like replacement. Mr M said that his car was rare and that it also had a premium colour for which he paid £800 extra. He added that he had spent around £1,100 a few months before the accident which included getting new tyres and front discs and pads. He said there were very few cars like his on the market at that point and none in the same colour. Mr M provided Accredited with some adverts which showed cars advertised for over £17,499. He also said he felt that a fair settlement would be £22,000 which included the work he had done to the car, especially as liability was admitted by the third party.

Accredited didn't uphold the complaint. It said that in arriving at its offer it consulted three motor trade guides and offered Mr M the highest valuation. It added that even though this was a non-fault accident it still had to justify its offer to the third-party insurers to ensure it made a full recovery of its outlay. And if it didn't make a full recovery this would impact the status of Mr M's claim as a "non-fault" claim.

Mr M then brought his complaint to us and said Accredited's offer wasn't enough for him to buy another vehicle. Accredited told us that, in the meantime, two of the cars in the adverts Mr M had provided had been discounted by £2,000 and £4,000 respectively.

One of our investigators reviewed the complaint and thought it should be upheld. Our investigator looked at a fourth trade guide which gave a value of £18,641 and thought this was a more fair market value for Mr M's car.

Mr M agreed but Accredited didn't and asked for an ombudsman's decision. It said that the fourth guide was an anomaly among the other guides and should be discounted and that there was no persuasive evidence in the marketplace to support a higher valuation. It also said it could agree to the higher valuation but it didn't believe that this complaint should be upheld as its offer was based on the three guides it had access to at the time. It said it offered the highest valuation as per our organisation's guidelines and didn't believe our organisation should be dictating which tools should be used by insurers.

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.

The terms and conditions of Mr M's policy say that, amongst other things, Accredited will pay its insured a cash amount equal to the cost of the loss or damage or the market value of their car.

The policy defines the market value as "*The cost of replacing your car in the UK with one of a similar make, model, age, mileage and condition, immediately before the loss or damage happened…"*

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

Accredited used three of the four motor guides we use. We consulted the fourth guide and it returned a valuation of £18,641. The three guides Accredited used produced values of £16,250, £16,694 and £16,186. I've also reviewed the valuations our investigator got and they are broadly in line with the valuations Accredited used so I'm satisfied that these valuations are for Mr M's car. Our investigator's valuations were £16,250, £17,281 and £16,195.

Accredited said it considers the fourth guide's valuation to be an outlier and thinks it should be discounted. I think the four valuations our investigator obtained are fairly close to each other and so I haven't discounted any of them. And the difference between the two lowest valuations (£16,250 and £16,195) and the second highest valuation (£17,281) is not too dissimilar to the difference between the highest (£18,641) and the second highest valuation.

Accredited valued Mr M's car at £16,694 which is the highest of its three valuations. Accredited has provided us with what it says are more recent adverts of the ones Mr M had provided to it. It says that a car that was previously advertised for £17,499 was being sold for £15,499 and another was discounted from £19,995 to £15,995. I have considered Accredited's evidence but I didn't find it as persuasive as the guides because, under the policy the market value is the cost of replacing the car immediately before the loss. The fact that advertised prices may have reduced in the months that followed isn't something I can take into account.

Mr M had provided Accredited with adverts for similar cars which were advertised for £17,499, £19,995 and £20,556. All the adverts are for cars which are slightly older than Mr M's. Two of the adverts show cars of similar make and model as Mr M's but with lower mileage so I didn't consider them to be persuasive evidence as to the car's value. Mr M said that a member of his family viewed the car which was advertised for £19,995 and which was later discounted to £15,995 and that it was in a police compound as it was a repossession and was not in good condition. This may account for its drop in value. Overall, I didn't consider the adverts to be as persuasive as the guides in these specific circumstances especially bearing in mind the variation in values and the very limited number of cars of this make and model on the market.

Looking at the valuations produced by the guides I'm not persuaded that Accredited's offer of £16,694 is fair. This is because it sits at the lower end of the four valuations and it hasn't shown why its offer is fair or that Mr M can replace his car with a similar one for the amount offered. In these circumstances, to be satisfied that Accredited's offer represents a fair valuation, as I said above I'd expect to have been provided with other evidence (for example adverts for cars for sale around the time of the loss or expert reports) 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.

Given there isn't any other evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr M the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced and the lack of other evidence provided by Accredited, I consider that a more appropriate and fair market valuation would be £18,641. And I think that Mr M should be paid 8% simple interest for the time he has been without the additional money owed.

I appreciate that Accredited feels that this complaint should not be upheld and that we should not be dictating which tools it should be using to assess the car's market value. How our complaints are recorded isn't something I can consider in this decision as my role here is to consider Mr M's complaint about how Accredited dealt with his claim. And for the same reason I am not able to review our organisation's established approach in an individual decision. What I will say though is that I don't think it would be fair for me to not take into account a particular valuation tool because an insurer has no access to it, especially if this might put its consumer at a disadvantage compared to other consumers.

My final decision

For the reasons above I have decided to uphold this complaint. Accredited Insurance (Europe) Ltd must pay Mr M £1,947 this being the shortfall between the £16,694 it has paid so far (less any deductions) and the £18,641 valuation. It must add 8% simple interest per year on the shortfall starting a month after the date of the claim until the date of settlement.

If Accredited Insurance (Europe) Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M 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 M to accept or reject my decision before 30 January 2025.

Anastasia Serdari
Ombudsman