DRN-5245315

The complaint

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

Any reference to Advantage in this decision includes their agents.

What happened

In May 2024 Mr M's vehicle was involved in an accident. He contacted Advantage to tell them about the accident and lodge a claim. Advantage deemed the vehicle to be uneconomical to repair so deemed it a total loss. They initially valued the vehicle at £9,521.22 but Mr M declined the offer. Advantage then increased the offer to £10,382.

Mr M was unhappy at the revised valuation, saying with the extras fitted to his vehicle he couldn't find a replacement on the market for less than £12,000. Advantage declined to increase their valuation, saying their valuation of £10,382 was taken from the highest values (retail transacted values) listed in four recognised industry valuation guides, based on Mr M's vehicle being in good condition prior to the accident. The valuation would be subject to policy terms, including any applicable excess (£300 leaving a net settlement offer of £10,082).

Mr M wouldn't accept Advantage's valuation, so they considered his decline as a complaint.

Advantage didn't uphold the complaint, saying in their final response they determined market value by reviewing the mileage adjusted figures for Mr M''s vehicle (including any optional extras) against the available industry valuation guides. The values from the three guides that produced valuations ranged between £8,712 to £10,382. Applying the average of the three gave a figure of £9,521.33. Advantage added that their engineers had already offered the highest of the guide valuations (£10,382) as their final offer. Advantage had considered what Mr M said about the optional; extras fitted to his vehicle, but their view was they had depreciated and offered to added value to the vehicle. The excess had been applied to the valuation in accordance with the policy terms and conditions.

Mr M then complained to this Service. He'd been looking for a replacement vehicle online, finding some with the optional extras fitted to his vehicle, same year of registration and similar mileage but they were advertised at over £12,000. He'd bought his vehicle in November 2022 for £12,000 (having been advertised for £12,995) Having initially offered him £9,452 Hastings had now offered him £10,382 – saying they didn't consider the optional extras fitted to his vehicle as they didn't add value to a vehicle of the age of Mr M's vehicle. Mr M didn't think this right as dealers did take optional extras into account and charged more for such vehicles. Being unable to replace his vehicle with something similar given Advantage's offer, he'd had to use public transport to get about and the situation had been very stressful.

Our investigator didn't uphold the complaint, concluding Advantage didn't need to take any action. The investigator had reviewed four recognised industry valuation guides, which returned valuations (including the optional extras fitted to Mr M's vehicle) ranging from £8,550 to £9,871. These valuations were lower than the valuation offered by Advantage.

Advantage had also provided examples of similar vehicles advertised for sale (with lower mileages than Mr M's vehicle) with the highest price of £10,127. The optional extras fitted to Mr M's vehicle (from new) had depreciated to the extent they added no value to the valuations (except one that valued them at £125). Based on the evidence, the investigator thought Advantage's valuation was fair.

Mr M disagreed with the investigator's view and asked that an Ombudsman review the complaint. He said he'd spent months researching the market for a vehicle the same as his own but couldn't find one for less than £12,000. That meant he'd had to purchase a replacement vehicle of a different make and model. He maintained his view that Advantage's offer of £10,382 wasn't a fair valuation of his vehicle. He thought his vehicle would have depreciated at around £1,000 per year (suggesting a drop of £1,500 from the £13,000 the vehicle was advertised for when he purchased it 18 months before the accident, indicating its value would be £11,500).

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 Advantage has acted fairly towards Mr M.

The key issue in Mr M's complaint is the valuation of his vehicle as the basis for Advantage's settlement offer. He says neither Advantage's initial valuation (£9,521.33) or revised offer (£10,382) is sufficient for him to purchase an equivalent replacement vehicle, for less than £12,000 Advantage say their revised valuation is fair, being based on the highest recognised industry valuation guide figure and market examples of vehicles advertised for sale.

Having considered the available evidence and information, I'm not upholding the complaint, based on Advantage'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 M's vehicle, I've looked at what the policy provides for. Market value is defined as:

> *"The cost of replacing your car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition...Your insurer may use publications such as Glass's Guide to assess the market value and will make any necessary allowances for the mileage and condition of your car and the circumstances in which you bought it"*

Mr M doesn't feel the figures from the valuation guides accurately reflect the market value of his vehicle. In particular, they don't reflect optional extras fitted to his 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 Advantage, they used three guides, based on retail transacted values. The valuations were based on the registration details of Mr M's vehicle and adjusted for the mileage at the time of the accident.

(A) £8,712
(B) £9,470
(C) £10,382

There is a significant difference between these figures. Advantage initially offered an average of the three valuations (£9,521.33) but then revised their offer to the highest of the three valuations (£10,382).

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

(A) £8,550 (retail transacted value)
(B) £9,470 (retail transacted value)
(C) £9,461 (market value)
(D) £9,871 (retail valuation)

While the valuation from (C) differs, the figure used by Advantage is significantly higher, so I've concluded the valuations used by Advantage were reasonable, valuation guide figures, using appropriate input data.

Advantage also provided example vehicles advertised for sale of the same year and similar make and model to that of Mr M. All had lower mileages to Mr M's vehicle and the values ranged from £8,990 to £10,127. All the values are lower than the valuation offered by Advantage, which would support the conclusion the latter was fair.

Mr M maintains the optional extras fitted to his vehicle should increase the valuation of his vehicle. However, while the cost of optional extras 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 and the valuation guides, the extras fitted to Mr M's vehicle would only add £125 to the vehicle valuation – and then only in one case (A). So, I don't think the extras fitted to Mr M's vehicle make any significant difference to the valuation.

Mr M also says his experience is that vehicles depreciate at a rate of £1,000 per year which means his vehicle should be worth £11,500 as the accident happened 18 months after he purchased the vehicle (when its asking price was £13,000. But that depreciation figure is simply Mr M's opinion. And he applies it from the asking price of his vehicle – not the price he actually paid for it £12,000). Applying his depreciation figure to the latter would suggest a valuation of £10,500 – which is close to Advantage's valuation (even assuming Mr M's view was reasonable). And as I've set out above, the valuation guide figures and example vehicles advertised for sale both support the conclusion Advantage's valuation was fair and reasonable.

Taking all these points into account, I've concluded Advantage acted fairly in valuing Mr M's vehicle at £10,382. So, I won't be asking them to increase the valuation.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 February 2025.

Paul King
Ombudsman