

The complaint

Mr L complains about the settlement payment Mulsanne Insurance Company Limited ("Mulsanne") offered him following the total loss of his car under his motor insurance policy.

What happened

Mr L's car was damaged by another driver in early September 2024. He says Mulsanne determined it was beyond economical repair and declared it a total loss. The business offered him £2,650 in settlement, which Mr L rejected. It reconsidered and offered him £2,978 less the policy excess. But Mr L says he can't replace his car for the amount offered and so he complained to Mulsanne.

In its final complaint response dated 26 September 2024 Mulsanne told Mr L that it had taken the average of three industry trade guides when making its offer. It says it also considered advertisements showing similar cars for sale. Mulsanne says this approach is in line with its policy terms. It didn't increase its settlement offer.

Mr L didn't think Mulsanne had treated him fairly and referred the matter to our service. Our investigator upheld his complaint. She says Mulsanne should base its settlement on the highest of the trade guide valuations and pay 8% simple interest on the delayed part of this payment. In addition, she says it should pay Mr L £100 compensation for the distress and inconvenience it caused.

Mulsanne agreed to this outcome, but Mr L didn't accept our investigator's findings. He asked for an ombudsman to consider his complaint.

It has been 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.

Having done so I'm upholding Mr L's complaint. I'm not asking Mulsanne to pay more than our investigator recommended. I'm sorry to disappoint Mr L, but I'll explain why I think my decision is fair.

Mr L's policy provides the market value in the event of a total loss due to accident damage. This is defined as:

"The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss, excluding the value of a cherished plate. This value is based on research from specialist motor trade guides including [list of three trade guides]. This may not be the same price you originally paid for your car or the value you declared on the statement of fact."

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

Mulsanne obtained valuations from three of the four trade guides we use. I've looked to see that it used the correct mileage, age, make and model of car, which it did. I also checked to see that it used the correct date for Mr L's loss, which was 7 September 2024. This was also correct. The values it obtained were £2,750, £3,080, and £3,104. Mulsanne used an average of these figures to arrive at its final offer of £2,978.

We looked to see if a valuation could be provided by a further trade guide. But due to the age of Mr L's car the remaining guide couldn't produce a valuation.

The approach our service takes to these disputes is that where an insurer offers less than the highest trade guide valuation, we expect it to evidence why this is fair.

Mulsanne has supplied two adverts showing cars similar to the one Mr L owned, for sale. However, these cars have automatic transmissions whereas his car was a manual. I don't think these cars are reasonably comparable and this doesn't persuade me that a lower settlement is justified.

Mr L has also provided adverts showing similar cars to his. However, these cars aren't registered in the same year as Mr L's car. I acknowledge these examples are priced higher than Mulsanne's settlement offer. But I've also seen cars priced below this. These are from the examples used by the trade guide that produced the highest valuation. All of these examples are registered in the same year as Mr L's car.

Having considered this evidence carefully, I think a fair approach is for Mulsanne to base its settlement offer on the highest of the trade guide valuations. This is because I'm not persuaded by the evidence I've seen that it's fair to go outside of our established approach. The highest of the trade guide valuations was for £3,104. Mulsanne has paid £2,978 to Mr L so it must now pay the difference, plus 8% simple interest on the delayed amount. This should be calculated from the date of the initial offer, until payment is made.

I've thought about the impact all this has had on Mr L. I understand he was distressed as he felt the settlement offer Mulsanne made was too low. He struggled to find a replacement car for the amount he was offered. But as discussed Mr L's policy provides the market value in the case of a total loss. That said Mulsanne should've based its offer on the highest of the trade guide valuations. So, I accept that it has caused Mr L some inconvenience and distress when offering a lower value. In these circumstances I think it's fair that Mulsanne pays him compensation. I agree with our investigator that £100 is reasonable.

My final decision

My final decision is that I uphold this complaint. Mulsanne Insurance Company Limited should:

- settle Mr L's claim based on the highest valuation figure, paying 8% simple interest* on the delayed part of this payment; and
- pay Mr L £100 compensation for the distress and inconvenience it caused him.

**If Mulsanne considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L how much it's taken off. It should also give him 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 L to accept or reject my decision before 24 February 2025.

Mike Waldron
Ombudsman