

The complaint

Mr L complains about Accredited Insurance (Europe) Ltd ("AIL") and the valuation they placed on his car following its involvement in a non-fault road traffic accident.

What happened

The claim and complaint circumstances are well known to both parties. So, I don't intend to list them chronologically in detail. But to summarise, Mr L's car was hit in the rear when parked by a third-party. So, he contacted AIL, the underwriter of his motor insurance policy, to make a claim.

AIL accepted Mr L's claim and his car was deemed a total loss. So, AIL offered Mr L £2,300 to settle his claim, which included a £475 deduction for pre-accident damages. Mr L was unhappy with this offer, so he raised a complaint. AIL responded to the complaint and didn't uphold it, setting out why they felt their offer was a fair one, calculated in line with standard industry approach. So, they didn't offer to do anything more. Mr L remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and upheld it. They didn't think AIL were fair to value Mr L's car at £2,775, as this wasn't the highest trade guide valuation our service was able to obtain. And they didn't think AIL were fair to apply the pre-accident damage deductions, considering the age of Mr L's car and its mileage. So, they recommended AIL increase their valuation of Mr L's car to £2,964. And they recommended AIL either refund, or remove, the £475 deduction applied to the initial settlement offer, plus 8% simple interest from the date of refund to the date of payment.

Mr L accepted this recommendation. But AIL didn't. They thought they had obtained trade guide valuations appropriately and valued Mr L's car on the highest offer they found. And they thought the £475 deduction was a fair one, based on the amount it would cost them to repair the damage they didn't think was accident related. Our investigator considered these comments, but their opinion remained unchanged. AIL continued to disagree and so, the complaint was passed to me for a decision.

I issued a provisional decision on 6 January 2025, where I set out my intention to uphold the complaint, explaining why my intended direction differed from that of the investigator. In that decision I said:

"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, it's my intention to uphold the complaint but not for all the reasons set out by our investigator. And what I intend to direct AIL to do differs from the recommendation Mr L accepted. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

Our investigator already made clear our service is only able to consider the complaint points raised to AIL that were responded to in their complaint response dated 18 October 2023. So,

this is what my provisional decision will focus on.

I've first thought about the actual valuation of Mr L's car before any deductions were applied. I've seen evidence that satisfies me AIL obtain valuations from the three trade guides available, due to the age of Mr L's car. And I can see they applied the highest valuation they found, at £2,775. So, I can understand why AIL feel they acted fairly, and in line with our services expectations, as we also use the trade guides to calculate a fair and reasonable valuation.

But crucially, I can see for the valuation AIL obtained from one of the guides, that I'll refer to as "P", was calculated from the date the tool was used and not the actual incident date. And I've seen our investigator obtained a separate valuation from P using the incident date, as our service would expect, and this provided a valuation of £2,964. So, with a correct use of the trade guides, I think the highest valuation that AIL could have, and should have, obtained would be £2,964. And in line with our service's well documented approach, I would expect AIL to use the highest valuation available, unless there is evidence to support why this approach shouldn't be followed.

In this situation, I don't think any adverts have been provided that supports why AIL should use a lesser valuation. Nor do I think the adverts Mr L provided support a higher valuation, as these were for newer cars, with differing mileages to his car involved in the incident.

So, without any further evidence, I think the fairest valuation of Mr L's car is £2,964. And as AIL have calculated their settlement offer on a lesser valuation, I'm satisfied they acted unfairly and unreasonable when doing so and I'll discuss what I think AIL should do to put things right later within this decision.

I've then turned to the deductions AIL applied to the offer they made for what they felt was pre-accident damage found on Mr L's car. I note our investigator felt these deductions were unfair and recommended they be removed/refunded, which Mr L agreed to. But, while I recognise this will come as a disappointment to Mr L, I don't agree.

I've seen images that show the damage to the front of Mr L's car. Considering the impact of the incident that led to the cars write off was at the rear of his car, I think AIL were reasonable to deem this damage to have been present pre-accident.

And having reviewed the images, and the extent of the damage, I'm unable to agree with our investigator that this damage is consistent with wear and tear that would be expected on a car of the age and mileage of Mr L's. From what I've seen, I'm satisfied this damage was most likely caused by previous accidents, considering the location and significance.

And because of this, I think AIL were fair to deem this damage as likely to impact the value of Mr L's car. In situations such as this, our services approach is that a business should calculate the cost to repair this damage, divide this by 2, and then apply this amount as a deduction to the overall settlement.

Having reviewed the accident report and estimate repair cost to this pre-accident damage provided by AIL, I'm satisfied the £475 deduction they have applied falls in line with this approach. So, I'm unable to say AIL have acted unfairly when applying this deduction and because of this, I don't intend to direct them to remove, or refund, this amount.

I've then turned to what I think AIL should do to put things right to recognise the error they have made when failing to value Mr L's car as our service would expect.

Putting things right

When thinking about what AIL should do to put things right, any award or direction I make is intended to place Mr L back in the position he would've been in, had AIL acted fairly in the first place.

In this situation, had AIL acted fairly, they would've obtained the correct trade guide valuation from P using the correct incident date. And this would've returned a valuation of £2,964, which would've been the highest valuation available. So, I think the valuation placed on Mr L's car should be increased to this amount, and a new settlement offer put forward, and paid, to reflect this.

With the £475 deduction applied to this amount, which I've already set why I think this is fair to apply, this would result in a new total settlement of £2,489, and increase of £189 on the previous settlement put forward to Mr L. So, this is the settlement I am now directing AIL to pay.

And I think AIL should apply 8% simple interest on this increase of £189, from the date the initial offer was made to him to the date of payment, as this wasn't offered to Mr L when it should've been. So, this recognises the length of time he was unfairly without access to this increased amount. But I don't think this should be applied to the original £2,300 put to Mr L, as it was his choice to decline this offer and not accept it as an interim amount.

I want to note the above is based on my assumption, from the evidence I've seen, that Mr L has still not received the £2,300 initially offered. If this has already been paid to Mr L, then I would only expect the additional £189, plus 8% simple interest, to be paid to Mr L."

Responses

Neither party responded to my provisional decision by the deadline set. So, I must assume they have no further comments to provide and that they didn't accept the intended outcome set out within the provisional decision itself.

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 see no reason to change my initial conclusion. The reasoning set out again within my provisional decision explain clearly why I think AIL acted unfairly when valuing Mr L's car. And it explains what actions I'm now directing AIL to take to place Mr L back in the position he would've been in, had AIL acted fairly in the first place.

My final decision

For the reasons outlined above, I uphold Mr L's complaint about Accredited (Europe) Insurance Limited and I direct them to take the following action:

- Pay Mr L the required amount to ensure his total settlement equates to £2,489; and
- Pay 8% simple interest on £189 of this amount from the date of their first offer, to the date of payment.

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.

Josh Haskey

Ombudsman