

The complaint

Miss M complains about how her insurer, U K Insurance Limited trading as Direct Line (Direct Line) valued her vehicle as a total loss following a collision.

Any reference to Direct Line in this decision includes their agents.

Miss M was supported by a representative when making her complaint. References to Miss M include her representative.

What happened

In August 2024 Miss M's vehicle was involved in a non-fault accident. Miss M contacted Direct Line to tell them about the accident and lodge a claim. Direct Line concluded the vehicle was a total loss. They valued the vehicle at £4,960. This was based on an average of four valuations from recognised industry valuation guides, using Miss M's vehicle details.

Miss M was unhappy at the valuation, saying it was less than what she thought was a fair value for her vehicle, given its condition. So, she complained to Direct Line.

Direct Line didn't uphold the complaint. In their final response they said when they assessed a vehicle's value they took account of the make, model and specification and cross referenced them to recognised valuation guides. In the case of Miss M's vehicle they'd taken an average of four valuations, which ranged from £4,550 to £5,421 giving an average of £4,960. They also found a comparable vehicle advertised for sale at £4,495. So, they maintained their valuation was fair.

Miss M then complained to this Service. She said Direct Line hadn't valued her vehicle fairly, their valuation being less than its true market value. She provided examples of similar vehicles advertised for sale within a 75-mile radius of her area with a range of mileages at an average selling price of £5,211. This meant a shortfall of some £250 to £500 to replace her vehicle with a like-for-like vehicle. She also thought Direct Line hadn't taken account of the condition of her vehicle. She wanted Direct Line to reimburse her the shortfall.

Our investigator initially upheld the complaint, concluding Direct Line hadn't acted fairly. He reviewed the four recognised industry valuation guides and didn't think Direct Line had shown why their offer was fair, as their average valuation sat in the middle of the range and providing only one example of a similar vehicle advertised for sale. So, he concluded a fairer valuation would be £5,421 (the highest valuation figure). Direct Line should also pay interest on the difference compared to their valuation.

Direct Line challenged the investigator's initial view. The information from one of the valuation guides they'd used (which returned a valuation of £4,993) included eight examples of vehicles below the 'price position'¹ of Miss M's vehicle (and seven examples above the price position), indicating the valuation was fair. Our investigator considered the information

¹ The 'Price Position' figure compares the advertised prices of similar vehicles to the insured (Miss M's) vehicle after adjusting for the respective vehicle mileages.

and was persuaded it supported the conclusion that Direct Line's offer was fair. So, he issued a second view not upholding the complaint.

Miss M disagreed with the investigator's second view and asked that an Ombudsman review the complaint. She provided further evidence from what she understood was the valuation guide cited by Direct Line which she said supported her view Direct Line hadn't fairly valued her vehicle. The evidence was based on vehicles advertised for sale at reputable dealerships, which she believed aligned with the definition of market value published by this Service. This indicated a value for her vehicle of £5,376. Miss M also questioned whether Direct Line had followed their own valuation approach, specifically whether they'd considered the condition of her vehicle at the time of the accident.

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 Direct Line has acted fairly towards Miss M.

The key issue in Miss M's complaint is the valuation of her vehicle. She says Direct Line's valuation isn't sufficient to purchase an equivalent replacement vehicle, thinking the market value of her vehicle some £250 to £500 higher. Direct Line say their valuation is fair, being based on the average of four recognised industry valuation guide figures, with one of the guides including examples of similar vehicles advertised for sale supporting their valuation.

Having considered the available evidence and information, I'm not upholding the complaint. I know this will be disappointing to Miss M so I'll set out why I've come to this conclusion.

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

"The cost of replacing your car with another of the same make and model, and of a similar age, mileage, and condition at the time of the accident or loss."

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. We'd expect an insurer's valuation to be based on the highest valuation guide figure (or higher). If it was, then we are likely to say it's fair, unless there's other evidence to say this is unfair (and an insurer can evidence their offer is fair when it's lower than the highest guide value).

Turning to the industry valuation guides, from the information provided by Direct Line, they obtained valuations from four guides, based on retail values. The valuations were based on the registration details of Miss M's vehicle and mileage at the time of the accident.

- (A) £4,876
- (B) £4,550
- (C) £5,421
- (D) £4,993

Direct Line took an average of the four values (£4,960) as the basis for their valuation.

As set out earlier, as a Service we'd expect the insurer's valuation to be based on 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).

Direct Line's initial approach to the valuation of Mr W's vehicle didn't adopt this approach, as was based on an average of the four valuation guide figures, not the highest figure. And they didn't provide any evidence to support that approach. So, I don't think that initial approach was fair and reasonable.

In disagreeing with our investigator's initial view, Direct Line refer to the valuation figure provided by (D) also including examples of similar vehicles advertised for sale. They say eight of the vehicles are evidence of B's valuation figure for Miss M's vehicle (£4,993) being fair. The 'price position' of these eight vehicles reflects the advertised prices of those vehicles, adjusted for their mileages compared to the mileage of Miss M's vehicle at the time of the accident, indicating their values would be close to the valuation of Miss M's vehicle if they had the same mileage.

The example of a similar vehicle advertised for sale that Direct Line referred to in their final response (£4,495) is of the same year and registration plate as Miss M's vehicle, with a mileage very close to that of her vehicle.

I've also noted the valuation from (C) also includes four examples of vehicles advertised for sale that (for vehicles of the same year and registration plate as Miss M's vehicle) range from £3,490 to £4,995 (with mileages that range from one very close to Miss M's vehicle to ones higher or significantly higher). All are from franchised or independent dealers.

For her part, Miss M provided examples of vehicles similar to her own advertised for sale, including ones with similar (or lower) mileages and the same year and registration plate ranging from £4,495 to £5,850 (at franchised or independent retail outlets). The vehicle advertised at £4,495 appeared to the same as that referenced by Direct Line.

In her response to our investigator's view she provided a further listing of vehicles advertised for sale through (D) at a range of values (including what appear to be vehicles included in her initial evidence with her complaint) and a valuation figure of £5,376 for her own vehicle. The listing was from what she describes as reputable dealerships within a 75 mile radius of her location.

I've considered Miss D's evidence carefully, including her point that the definition used by this Service is based on vehicles selling through reputable dealerships. However, her own evidence includes vehicles advertised at values in line with Direct Line's valuation, and it doesn't negate the evidence from Direct Line's valuation guides, which also list vehicles advertised at retail outlets.

Taking all the evidence and information together, I've concluded Miss C could have replaced her vehicle with one of similar age, mileage and specification. So, there is sufficient evidence to show Direct Line's valuation is fair and reasonable while being lower than the highest guide value. So, I won't be asking them to increase their valuation.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 8 April 2025.

Paul King
Ombudsman