

The complaint

Mrs F complains about the settlement that UK Insurance Limited (UKI) offered her for the total loss of her car following a claim made on her motor insurance policy. She wants UKI to pay the difference between its first offer and the final settlement.

What happened

Mrs F's car was damaged in an accident, and she made a claim on her policy. UKI initially offered her £3,327 in settlement of her claim. But this was based on an incorrect mileage and two days later UKI offered Mrs F £2,818. But Mrs F was unhappy with this and with the level of service she had received. UKI agreed that there had been service failings and it paid Mrs F £500 compensation for this.

Our Investigator didn't recommend that the complaint should be upheld. He thought UKI hadn't reasonably based its settlement for the car's market value on the motor valuation guides we use. He thought it should offer the highest of the valuations provided by the motor guides. But he thought UKI's payment of compensation for Mrs F's loss of expectation and its service failings was fair and reasonable.

UKI agreed to increase its settlement. But Mrs F replied that £500 compensation wasn't sufficient for the stress this matter was causing her, especially as UKI was aware of her particular health conditions. Mrs F asked for an Ombudsman's review, so the complaint has come to me for a final decision.

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.

I was sorry to hear that Mrs F's parked and unattended car was damaged. I can see that she's anxious for the claim to be settled. I can also understand that Mrs F wants a fair settlement for the loss of her car and that she feels frustrated that UKI made her an incorrect offer.

Mrs F's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet 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."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor valuation guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought UKI's settlement offer wasn't fair and reasonable. So I've checked how he came to this conclusion. I can see he checked the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mrs F's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the guides, unless they are able to provide us with evidence which supports a lower valuation.

UKI had provided a valuation of £2,818, an average of the valuations it had found. But the Investigator found that £2,896 was the highest of the valuations provided by the guides. UKI didn't provide any evidence to justify not paying the highest valuation. And so I agree that UKI's offer wasn't fair and reasonable. And I think it should pay Mrs F £78 more in settlement of her claim. This is in keeping with our approach and the policy's terms and conditions. And, as Mrs F has been without her money for some time, interest should be added to this amount.

UKI agreed that its level of service had been poor. It had raised Mrs F's expectations that a higher settlement, based on incorrect mileage, would be paid. I can understand that Mrs F felt she had agreed the higher valuation. But I don't think it would be fair for her settlement to be based on incorrect information, even though this was UKI's fault. So I can't say that UKI should honour the higher settlement figure.

Mrs F had explained her particular health conditions and the effect of stress on these. But she experienced long call wait times. And the salvage agent tried to remove her car before a settlement was paid. This caused Mrs F significant stress and inconvenience. And UKI paid Mrs F £500 compensation for this trouble and upset.

I can understand that Mrs F feels this to be insufficient. But I'm satisfied that's in keeping with our published guidance for the impact of its error. And so I'm satisfied that UKI's compensation was fair and reasonable, and I don't require it to increase this.

Mrs F was also unhappy that UKI continued to take payments for her premium after her car was disposed of. But her motor insurance is an annual contract, even though Mrs F was paying for it in monthly instalments. And as the policy had been used when she made a claim, then the full premium would be payable. So I don't require UKI to pay her any refund.

Putting things right

I require UK Insurance Limited to pay Mrs F £78 further in settlement of her claim for the loss of her car, adding interest to this amount at the rate of 8% simple per annum from the date of the initial payment to the date of final settlement.

If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs F how much it's taken off. It should also give Mrs F a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require UK Insurance Limited to carry out the redress set out above, as it's already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 9 April 2025.

Phillip Berechree
Ombudsman