

The complaint

Miss B 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.

What happened

Miss B's car was damaged by fire, and she made a claim on her policy. UKI offered her £17,681, less her policy excess, in settlement of her claim. But Miss B was unhappy with this and with the level of service she received. She thought she couldn't replace her car for this amount. She thought it would cost about £21,000, as shown by adverts, to replace her car. UKI later increased its offer to £17,800. It also agreed there had been service failings and it paid Miss B £150 compensation for not responding to her complaint.

Our Investigator recommended that the complaint should be upheld. He thought UKI had reasonably based its settlement for the car's market value on the motor valuation guides we use. And he saw that its recent offer was the highest of the valuations provided by the motor guides.

But he also thought UKI's engineer had confirmed in a call with Miss B after he did market research that she couldn't replace her car for less than £21,000. So he thought UKI should reasonably increase its settlement to this amount and pay Miss B interest on the difference.

He thought Miss B wasn't entitled to a courtesy car as her car was a total loss. And he thought UKI's engineer had acted professionally in the calls with Miss B. He couldn't comment on the compensation UKI paid regarding the complaint handling. But he thought it should also pay Miss B £150 compensation for the trouble and upset caused by its level of service in offering her an unfair settlement.

Miss B replied that she accepted the Investigator's view. But UKI responded that it disagreed as it had offered Miss B the highest valuation provided by the motor valuation guides. As UKI didn't agree, 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 about Miss B's experience with the loss of her car. I can understand that this must have been very distressing for her and her family. Miss B said she agreed with the Investigator's view. So I've not considered her concerns about the courtesy car or the customer service she received. And I can't consider her complaint about UKI's complaint handling as that's outside our remit.

So I've focussed on Miss B's concern about UKI's settlement. I can understand that Miss B wants a fair settlement for the loss of her car. She said she'd seen similar cars advertised for over £21,000 and so she was disappointed with UKI's offer. She said she had to borrow money from her family to buy a similar replacement car.

Miss B'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.”

I'll explain 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. But 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 looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Miss B'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 usually 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 trade guides, unless they are able to provide us with evidence which supports a lower valuation.

After Miss B brought her complaint to us, UKI offered a settlement of £17,800, which was the highest of the valuations provided by the guides. It said it had found a similar car advertised for less than this. But it didn't provide any evidence to validate this, so I haven't considered this further.

Miss B provided adverts for similar cars advertised at higher prices. And I have considered these and looked to see where the advertised cars are identical to Miss B's. I note that the car with the closest mileage is advertised for sale at a considerably higher figure than UKI's final offer.

But UKI's engineer also carried out research into advertised prices for similar cars. And I've considered what he said to Miss B in their call. He found that taking into account the details of Miss B's car, there weren't any similar ones selling for less than £21,000 at the time of her loss.

Whilst the motor valuation guides are our starting point for considering valuations, as I've said above, we also consider other evidence. And in this case I'm satisfied that UKI's engineer's research provides relevant and persuasive evidence that UKI's final offer is too low and wouldn't allow Miss B to replace her car with a similar one, as the policy's terms and conditions state.

And so I agree that UKI's offer wasn't fair and reasonable as it wasn't made in keeping with our approach and the policy's terms and conditions. And I require it to increase this to £21,000 and pay Miss B interest on the difference.

Miss B was caused avoidable stress and frustration by UKI's unfair settlement after her loss. And so I also agree that UKI should pay Miss B £150 compensation for the trouble and upset caused by its unfair settlement. I think that's in keeping with our published guidance where the impact of an error has been felt over a month. And so I think that's fair and reasonable.

Putting things right

I require UK Insurance Limited to do the following:

1. Increase its settlement offer for the total loss of Miss B's car to £21,000, less the policy excess, and pay her interest on the difference between the interim payment and this amount at the rate of 8% simple per annum from the date of the interim payment until final payment†.
2. Pay Miss B £150 compensation for the distress and inconvenience caused by its handling of her claim.

†If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss B how much it's taken off. It should also give Miss B 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. I require UK Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 17 April 2025.

Phillip Berechree
Ombudsman