

The complaint

Mrs H complains about the settlement offered by U K Insurance Limited (“UKI”) after her car was involved in a collision and deemed a total loss.

What happened

In October 2024 Mrs H’s car was involved in a collision when it was parked and it was subsequently declared a write-off. She contacted her insurer, UKI, to make a claim under her motor insurance policy.

UKI made Mrs H an offer to settle the claim of £12,069. It paid Mrs H £4,819.55 and paid her car finance company £7,249.45 towards the outstanding balance.

Mrs H complained, saying the settlement was £1,626 short of what she paid for the car – and that she had only had the car for a few weeks before the accident. In its response to her complaint, UKI said it had taken into account the vehicle’s make, model and individual specifications and it had cross referenced this information with recognised motor trade guides. It said the values produced by the guides were £11,880, £11,895, £12,078 and £12,422 – which produced an average figure of £12,069. It therefore believed its offer was fair and reasonable in the circumstances as it was the average of all the trade guide valuations.

Mrs H didn’t agree with UKI’s response, so she referred her complaint to this service – saying she’d effectively been penalised despite the fact the accident wasn’t her fault. Our Investigator considered the complaint and also considered a new offer received from UKI. It said it was willing to increase its offer to the highest value produced by the trade guides, which was £12,422, together with interest on the additional amount offered, and with a deduction of the excess applicable under Mrs H’s policy.

Our Investigator thought this offer was fair. She said it was higher than all the values produced by the trade guides she had checked. And as there was no other evidence to consider, she was satisfied this was a reasonable offer for Mrs H’s vehicle.

Mrs H didn’t accept our Investigator’s opinion, and asked what additional evidence she could provide that might change the outcome of her complaint. Our Investigator explained that we’d need to see evidence that the market value of her vehicle at the time of loss was more than the offer made by UKI – and she confirmed that such evidence could include car adverts for vehicles of a similar specification, for example.

No further evidence was received. But as Mrs H wanted to take the matter further, the complaint has now come to me for a full review and an Ombudsman’s 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.

As this is an informal service, I'm not going to respond here to every point raised or comment on every piece of evidence Mrs H and UKI have provided. Instead, I've focused on those I consider to be key or central to the issue in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm upholding this complaint in line with UKI's latest offer. I'll explain why.

The terms and conditions of Mrs H's policy say that if UKI deems the insured vehicle a total loss, then it will pay her the market value for her vehicle. It says this is the current value of the vehicle at the time of the claim, which may be different to what she paid for the car or any amount she provided when she insured it. It also defines market value 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"*.

Our service doesn't value cars. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use the relevant trade guides. I usually find these persuasive as they're based on nationwide research of sales prices. The values given by the four trade guides this service uses were £11,895, £11,880, £12,107 and £12,183.

UKI's latest offer of £12,422 sits comfortably above the values produced by the trade guides this service uses. And I've not received any other evidence such as car adverts which might suggest a different value. So I'm satisfied that UKI's offer to increase the settlement to the value given by the highest of the trade guides it has checked, is fair and reasonable in the circumstances. I also think its offer to cover interest on the additional amount, to reflect the time Mrs H was deprived of the additional funds, is fair.

I've thought about the compensation UKI should pay Mrs H, and I can see from the timeline of the claim that the initial offer was made to Mrs H in November 2024, and whilst this should've been a higher offer at the time, as UKI is going to pay interest on the difference between the offers, Mrs H won't lose out financially as a result of the previous offer and the payment to her being too low.

I appreciate Mrs H is still unhappy with the latest offer, so she would likely have suffered some upset even if it had been made previously. But I still think she has experienced some inconvenience and frustration due to the previous offer being lower than it should've been, as Mrs H spent additional time and effort on the matter to receive a fair offer. So I consider £100 compensation for the distress and inconvenience to be appropriate here.

Putting things right

U K Insurance Limited should pay Mrs H:

- £12,422 in settlement of her claim (minus the applicable policy excess and the amount it's already paid Mrs H).
- Interest* on the additional £353 at a rate of 8% simple per annum, calculated from the date of its initial payment to Mrs H until the date of settlement.
- £100 compensation for distress and inconvenience.

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

My final decision

My final decision is that I uphold this complaint in line with the latest offer made by U K Insurance Limited and I require U K Insurance Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 22 April 2025.

Ifrah Malik
Ombudsman