

The complaint

Mrs W and Mr W complain about the settlement UK Insurance Limited (UKI) offered them for the total loss of their car following a claim made on their motor insurance policy. Mr W is a named driver on Mrs W's policy and represents her in this matter.

What happened

Mrs W's car was damaged in an accident, and she made a claim on her policy. UKI offered her £1,889 less the £200 policy excess, in settlement of her claim. But Mr W was unhappy with this and with the level of service he received. He thought he couldn't replace his car for this amount. He thought it would cost between £5,000 and £6,000 to replace his car. UKI agreed there had been service failings and it paid Mr W £400 compensation for the lack of updates and delays in making the settlement.

After the complaint came to us, UKI increased its settlement offer to £2,325, less the policy excess, and the compensation to £500. But Mr W didn't accept this as he said a replacement car would cost between £5,000 and £6,000. He thought UKI should pursue the other insurer for this amount. And he wanted £100 a week compensation for their trouble and upset.

Our Investigator thought UKI's latest offer was fair and reasonable. She thought UKI had reasonably based its settlement for the car's market value on the motor guides we use. She thought its latest offer was the highest of the valuations provided by the motor guides. So she thought this and UKI's payment of compensation for its service failings was fair and reasonable.

Mr W replied that the settlement wasn't enough to buy a replacement car in the current market. He provided evidence that his replacement had cost him £5,200. He said UKI should have inspected his car before declaring it to be a total loss. He offered to accept £4,500 and to retain his car's salvage to settle the claim. Mr W 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 can understand that Mr W wants a fair settlement for the loss of his car. He said that he'd seen similar cars advertised for not less than £4,000 and so he was disappointed with UKI's offer. Fortunately, he's now found a suitable replacement. I was sorry to hear about the effect of the accident on Mr W and Mrs W. He's explained that this was exacerbated due to their particular circumstances.

Mrs W'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:

"Market value: 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-trade 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. UKI didn't provide any further evidence for me to consider. And Mr W provided details of his replacement car.

Our Investigator thought UKI's latest settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mrs W'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 trade guides, unless they are able to provide us with evidence which supports a lower valuation.

UKI had provided a valuation of £2,325, which was the highest of the valuations provided by the guides. Mr W said his replacement car cost much more. But I can see that his new car isn't identical to the old one. It's three year's newer and has much lower mileage. So I don't find this to be a persuasive reason for UKI to increase its offer further.

Mr W thought UKI should have inspected his car before writing it off. But insurers wouldn't pay a claim unless necessary. And I think it's common for insurers to base their valuations on the motor guides. Independent inspections are only required when there are exceptional reasons, such as unusual modifications.

Mr W also thought UKI should have negotiated a settlement with the other insurer. But this isn't required by Mrs W's policy which provides for the car's market value in the case of its total loss.

And so I agree that UKI's latest offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this. But as Mrs W has been without her money for some time, I think UKI should add interest to the difference in settlements from the date the interim settlement was paid.

UKI agreed that its level of service had been poor. And Mr W provided evidence of lack of promised calls back, lack of updates, and it took longer than reasonable for UKI to make a valuation and pay the settlement. Mr W was in regular contact with UKI to progress the claim. And I can understand that this must have been a frustrating and stressful experience.

UKI offered to pay Mrs W £500 compensation for this trouble and upset. I think that's in keeping with our published guidance where the impact of errors has been felt over a month. And so I'm satisfied that UKI's compensation was fair and reasonable, and I don't require it to increase this.

Putting things right

I require UK Insurance Limited to do the following, as it's already agreed to do:

1. Increase the settlement for Mrs W's car to £2,325, less the policy excess. And pay Mrs

W the difference between this amount and its interim settlement, adding interest to the difference at the rate of 8% simple per annum from the date of the interim settlement to the date of payment†.

2. Pay Mrs W £500 in total 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 Mrs W how much it's taken off. It should also give Mrs W 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 Mr W and Mrs W to accept or reject my decision before 12 May 2025.

Phillip Berechree
Ombudsman