

The complaint

Mr J complains about Tesco Underwriting Limited's ("Tesco") valuation of his car following a claim under his car insurance policy.

What happened

Mr J says, following an accident, his car was written-off. Mr J wasn't happy with the settlement being offered by Tesco, so he complained and said the settlement wouldn't cover the full outstanding balance which remained on his finance agreement. Tesco responded and explained they'd looked at two valuation guides and offered £17,590 – which represented the higher valuation of the two guides.

Our investigator looked into things for Mr J. She thought Tesco hadn't offered a fair settlement and recommended they pay Mr J £18,241 together with 8% simple interest. Mr J agreed but Tesco disagreed, so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation is a fair way to resolve matters.

In the event of a total loss, Tesco are required to pay Mr J the market value of his car. In assessing whether a reasonable offer has been made, we obtain valuations from motor valuation guides. These are used for valuing second-hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research of likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be.

Mr J is unhappy with Tesco's valuation of his car as he thinks it's worth more. I've seen that Tesco reached their figure by using industry recognised tools to find out the market value of the car. They obtained two valuations: Glass's gave a valuation of £17,590 and CAP was £14,495. Tesco used the highest of these valuations, from Glass's, to make an offer.

I can see our investigator obtained a valuation using four motor valuation guides. Glass's produced the same valuation as obtained by Tesco but CAP was £14,595. Our investigator considered two further motor valuation guides - AutoTrader which provided a valuation of £15,743 and Percayso which provided a valuation of £18,241.

So, while the settlement offered by Tesco is within the range of valuations, I don't think this leads to a fair outcome in the circumstances of this case.

As a service, we think insurers should base their settlement offer in line with the highest available guide unless there is sufficient evidence to persuade us otherwise. Tesco have provided one advert to support their valuation. The car shown in the advert is priced at £16,699 and is a similar make, model and age to Mr J's car, and also shows similar mileage

to Mr J's car at the date of loss. I have taken this into account, but I've weighed this up against the other evidence. The trade guides are experts in this area and use a lot of information when coming to their valuation figures. Whilst the advert provided by Tesco supports their valuation, one advert isn't enough to persuade me that following our current approach isn't fair and reasonable in this instance.

So, I've thought about what a fair valuation would be in the circumstances of this case. When reviewing the motor valuation guides obtained by our investigator, I'm more persuaded that the fair and reasonable outcome in the circumstances of this case is for Tesco to pay the highest of the four valuation guides we use – that is £18,241. I say this because it's in line with our approach and, given the make and model of Mr J's car, I would expect there to be multiple adverts – and not just the one which Tesco have provided. So I do think the fairest valuation is to go with the highest guide. I say this because it means Mr J is more likely able to replace his car with a similar one. So, I think this valuation would avoid any consumer detriment to Mr J in not being able to replace his car for the settlement being offered.

I can see Tesco say they used two valuation guides, and they don't use Percayso. They say, as there were limited market examples available, they didn't consider them as part of their assessment, so they defaulted to the highest valuation guide. Tesco say they acted fairly in using more than one valuation guide and going for the highest valuation in circumstances where Mr J wasn't able to provide evidence of any market examples demonstrating the valuation was unfair.

I do acknowledge Tesco's points, but I'm not persuaded this means the valuation they've offered is fair. Different valuation guides use different methods to value vehicles. So, our service uses multiple valuation guides to ensure a fair market value is reached – as this reduces the chance of consumer detriment. I've used the valuation guides as a starting point, but Tesco haven't provided any persuasive evidence to demonstrate that, in the circumstances of this case, using the Percayso valuation is unfair.

I can see Tesco applied a deduction of £1,810 which they say was an adjustment for the mileage. But I don't think that's fair in the circumstances as the actual mileage of a car is a factor which the valuation guides take into account. So I don't think it's fair for Tesco to apply any adjustment to account for Mr J's car's mileage.

Therefore, Tesco need to pay Mr J a total of £18,241 as the market value for his car, subject to the remaining policy terms. Although Tesco offered Mr J a settlement of £17,590, I can't see any payment has been made. Given that I don't believe this settlement was fair and Mr J hasn't been in receipt of this money sooner, Tesco should also add 8% simple interest per year to this amount from the date they offered Mr J their settlement to the date they make payment to Mr J.

I do acknowledge the settlement doesn't allow Mr J to clear any outstanding balance on his finance, but the policy terms and conditions say Tesco will pay the market value of Mr J's car – and not the amount to clear any outstanding finance.

Putting things right

I've taken the view that Tesco haven't offered Mr J a fair valuation for his car. So, Tesco should pay Mr J a market valuation of £18,241, subject to the remaining policy terms, together with 8% simple interest per year on this amount from the date they made their offer to Mr J to the date they make payment. Tesco should provide Mr J with a certificate showing any taxation deducted.

My final decision

My final decision is that I uphold the complaint. Tesco Underwriting Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 21 April 2025.

Paviter Dhaddy
Ombudsman