

The complaint

Mrs D complains about the settlement that Advantage Insurance Company Limited (Advantage) paid her for the total loss of her vehicle following a claim on her motor insurance policy.

What happened

Mrs D's vehicle was damaged after being involved in an accident in June 2024. She contacted Advantage to make a claim under her motor insurance policy. Advantage reviewed the damage and said it wasn't economical to repair Mrs D's vehicle – so they proposed to settle the claim by paying her the market value for it.

Advantage said they looked at various valuation guides available in order to determine the market value of Mrs D's vehicle. They said they looked at four guides in total, and ultimately valued Mr's D's vehicle at £13,465.25, which they said was the average of the guide prices.

But Mrs D said the settlement wasn't enough for her to purchase a replacement vehicle, so she complained to Advantage. She said Advantage's settlement was significantly lower than her vehicle's fair market value and she'd found examples which showed a higher price than the one put forward. Advantage considered the complaint but didn't uphold it. They maintained their settlement was a fair market value.

Mrs D remained unhappy with Advantage's response, so she brought the complaint to this Service. An Investigator looked at what had happened and recommended the complaint should be upheld. He looked at motor valuation guides available for Mrs D's vehicle from around the time of loss and thought the fairest thing to do was for Advantage to pay the highest of the valuation guides at £13,961. This was because he didn't think Advantage had provided enough evidence to show a lower valuation enabled Mrs D to replace her vehicle.

Mrs D accepted the Investigator's recommendation, but Advantage didn't – they said they had provided adverts of vehicles for sale at the time of the loss which showed examples lower than the settlement they had paid Mrs D. And they provided further examples from January 2025 which they said also showed prices were in line with the settlement they had paid.

I issued my provisional findings of this complaint, and I said the following:

"It isn't the role of this Service to come to an exact valuation of a consumer's vehicle. But we do look to see if an insurer has acted reasonably in looking to settle the claim using a fair market value of the vehicle which is in line with the policy's terms and conditions. In the event of Mrs D's vehicle being declared a total loss, the policy requires Advantage to compensate her for the market value of her vehicle. The policy defines 'Market Value' as:

"The cost of replacing your car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition. This may not necessarily be the value you declared when the insurance was taken

out. Your insurer may use publications such as Glass's Guide to assess the market value and will make any necessary allowances for the mileage and condition of your car and the circumstances in which you bought it".

It's standard practice for a motor insurer to use valuation guides to work out the estimated value of a vehicle, and it's not unreasonable that they do so. This is because assessing a used vehicle's value isn't an exact science. So, we generally find motor guides to be persuasive; as the valuations they give are based on nationwide research of likely selling prices. But we also take all other available evidence into account, for example, engineer's reports, advertised prices, or independent valuations if needed, when deciding what's fair and reasonable.

Advantage assessed the value of Mrs D's vehicle by using valuation guides which produced figures of £13,117, £13,260, £13,523, and £13,961 respectively. They proposed to settle the claim using the average of these valuation figures at £13,465.25.

It may be helpful for me to explain that this Service's approach to valuing vehicles isn't based on averaging the prices that the guides return. Essentially, an insurer needs to be able to show their valuation is enough to allow their policyholder to purchase a replacement vehicle. This doesn't always mean that they should pay the highest value the guides return – but this is a starting point, because if their valuation is lower than the highest valuation returned, they need to be able to show why this is fair.

Advantage said their averaged settlement was fair as it was supported by examples of vehicles for sale around the time of the loss which were for less than their settlement amount. So, I've considered this evidence that Advantage provided in order to assess whether their settlement is fair and reasonable and would allow Mrs D to replace her vehicle with one of the same make, model and specification.

The adverts Advantage have provided show vehicles of the same make and model of Mrs D's with similar mileage were available to buy with the value they put forward. While I can see Mrs D has provided examples of comparable vehicles which show a higher value, this doesn't mean Advantage's valuation is unfair. And it therefore follows that I agree Advantage's offer was fair and reasonable, as it was made in keeping with this Service's approach, as well as the policy's terms and conditions. This means I don't require them to increase this.

Finally, I can see Mrs D has said she'd carried out a full service to her vehicle, added two new tyres, and a full tank of petrol prior to the accident. She says this wasn't taken into account. But these would be considered uninsured losses - and not something that would make a material difference to the value of the vehicle – so I wouldn't consider them as part of a total loss settlement. Ultimately, I am satisfied that the valuation put forward by Advantage is a fair market value settlement. This means Advantage doesn't need to increase their settlement offer."

I concluded that I didn't intend to uphold the complaint as I thought Advantage had settled the total loss claim fairly. I invited both parties to respond to my provisional findings.

Mrs D responded to my findings but didn't agree. She said Advantage's examples of vehicles were lower-value listings, which may have included vehicles in poorer condition, high mileage, or those requiring repairs. She said her own examples showed a much higher value than the settlement she received, which included cars of the same make, model, year, mileage,

and condition as hers.

Mrs D also said Advantage had provided further examples from several months after her loss in June 2024 which didn't correctly reflect the valuation at the time of loss. And she also said that as the Investigator had initially recommended using the highest market valuation because Advantage hadn't justified using a lower average figure.

Advantage didn't respond to my provisional findings or provide any further information for me to consider.

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've taken on board Mrs D's comments in response to my provisional findings; but I haven't been persuaded to alter the outcome I reached previously. I appreciate Mrs D will find this disappointing – so I'll explain why.

This Service's role isn't to work out exactly what the value of an individual car is. Instead, we look at whether an insurer has applied the terms of a policy correctly and valued the car fairly. As I explained previously, in the event of Mrs D's vehicle being declared a total loss, her policy requires Advantage to compensate her for the market value of her vehicle.

When deciding whether an insurer has settled a total loss claim using a fair market value, we usually start by referring to the trade guides. And given the recent competitive market for second-hand vehicle sales, this Service feels it's generally fair to rely on the highest valuation returned by the motor valuation guides - unless an insurer can show their customer would be able to replace their vehicle at the time of the loss with a lower settlement value.

Firstly, I want to confirm to Mrs D that I agree using examples from several months after a claim wouldn't be fair – so I'd only consider adverts or evidence from around the date of the loss. And this means, while the starting point was to use the highest valuation guide – Advantage provided a range of adverts that demonstrated Mrs D would have been able to replace her vehicle with the settlement amount they paid.

I've carefully considered these adverts and I find them persuasive, as they are reflective of the market at the date of loss. The adverts are of cars of the same make and model and of similar mileage (around 40,000). So, I'm satisfied they are both contemporaneous and relevant to the claim.

I appreciate Mrs D has provided her own evidence of adverts which show similar cars selling for more than the settlement payment Advantage paid. But this demonstrates to me that there's some variances in selling prices in the market. And just because there's higher examples, this doesn't mean Mrs D couldn't replace her car with the settlement Advantage paid. Ultimately, I'm satisfied there were still a range of cars available below the value Advantage made.

So, based on the available evidence, as I'm satisfied that it was possible for Mrs D to replace her car with a one of similar make, model and mileage from the total loss settlement made by Advantage in line with the policy's terms - it therefore follows that their settlement was fair and I won't be asking them to increase this.

My final decision

For the reasons I've set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 24 April 2025.

Stephen Howard
Ombudsman