

The complaint

Mr W complains about how his insurer, U K Insurance Limited (UKI) valued his vehicle as a total loss following a collision.

Any reference to UKI in this decision includes their agents.

What happened

In June 2024 Mr W's vehicle, being driven by his wife, was hit by a third party vehicle. The driver was breathalysed by the police and tested positive. Mr W contacted UKI to tell them about the accident and lodge a claim.

UKI concluded the vehicle was a total loss. They valued the vehicle at £3,764 (less an £83 deduction for pre-existing damage) to arrive at a valuation of £3,681. This was based on an average of valuations from two recognised industry valuation guides, after discounting lower and higher valuations from two other guides, as outliers.

Mr W was unhappy at the valuation, saying it was significantly less than what he thought was a fair value for his vehicle, given the optional extras and recent work he'd had carried out. So, he complained to UKI.

UKI upheld the complaint in part. In their final response, on the valuation of Mr W's vehicle, they said when they assessed a vehicle's value they took account of the make, model and specification and cross referenced them to recognised industry valuation guides. In the case of Mr W's vehicle they'd taken an average of the two valuations they didn't consider outliers to arrive at the valuation of £3,764. They also said they couldn't find any comparable vehicles advertised for sale. They then made a deduction of £83 for pre-existing damage, producing the final valuation of £3,681. UKI said they didn't consider the optional extras added value, given the vehicle's age. Nor the work carried out which they thought essential maintenance.

UKI did uphold an element of complaint about the delay coming to a valuation and a difficult call Mr W had with a UKI call handler. UKI awarded £50 compensation.

Mr W then complained to this Service. He said he'd lost his vehicle, which was fitted with many optional extras and had significant work undertaken before the accident. He estimated he was out of pocket by some £2,000 compared to the valuation from UKI. He questioned the valuation technique used by UKI, including the discounting of the highest valuation guide figure (£4,670) and a simple average of two other figures. This meant he hadn't been indemnified for the loss of his vehicle. It had also taken him significant time pursuing the matter. He said he wanted UKI to give him a fair valuation for his vehicle - he'd replaced his vehicle with one of the same make and model, eight months younger, for £4,900 (retail price). He also provided examples of vehicles advertised for sale similar to his own around £5,000.

Our investigator upheld the complaint, concluding UKI hadn't acted fairly. He reviewed the four recognised industry valuation guides, which produced valuations ranging from £3,475 to

£4,670. He didn't think UKI had shown why their offer was fair, or why they excluded the highest valuation. So, the investigator concluded a fairer valuation would be £4,670. UKI should also pay interest on the difference compared to their valuation. The investigator also thought Mr W suffered inconvenience from having to pursue the matter with UKI and having to chase them several times. He thought UKI should pay an additional £100 compensation (to the £50 they'd paid).

UKI challenged the investigator's view and asked that an ombudsman review the complaint. They said the valuation guide returning the highest valuation was an outlier. The information from one of the guides used in their calculation of the average valuation included two examples of vehicles below the 'price position'¹ of Mr W's vehicle, indicating the valuation was fair.

Mr W also raised a further complaint point about his vehicle being seen back on the road following it being deemed a total loss. Mr W thought this was unsafe, as his vehicle had been unroadworthy after the accident and mechanically damaged.

In my findings, I concluded their initial approach (of discounting the highest valuation guide figure) wasn't in line with the approach we adopt as a Service. I then considered the points made by UKI in their response to our investigator's view, together with the points made by Mr W. While there was significant variation in the various examples of vehicles advertised for sale in the valuations from (B) and (C) and from Mr W, on balance I concluded there was sufficient evidence to support the conclusion there is other evidence that UKI's offer is fair and reasonable while being lower than the highest guide value.

While reaching that conclusion, I also considered the other aspect of the complaint, the inconvenience suffered by Mr W. UKI acknowledged issues with their handling of the claim, awarding £50 compensation. Having considered the circumstances of the case, and my conclusion that UKI's valuation is fair and reasonable, then I concluded the £50 awarded was fair and reasonable. So, I wouldn't be asking them to make a further award.

Because I reached different conclusions to those of our investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My role here is to decide whether UKI has acted fairly towards Mr W.

The key issue in Mr W's complaint is the valuation of his vehicle as the basis for UKI's settlement offer. He says UKI's valuation isn't sufficient for him to purchase an equivalent replacement vehicle. He thinks the market value of his vehicle is nearer £5,000. UKI say their valuation is fair, being based on the average of two recognised industry valuation guide figures (excluding what they consider outlier valuations from two other guides). And one of the two guides included examples of similar vehicles advertised for sale that indicated that guide valuation was fair.

Having considered the available evidence and information, I'm not upholding the complaint. I know this will be disappointing to Mr W, so I'll set out why I've come to this conclusion.

¹ The 'Price Position' figure compares the advertised prices of similar vehicles to the insured (Mr W's) vehicle after adjusting for the respective vehicle mileages.

As the complaint revolves around the valuation of Mr W's vehicle, I've looked at what the policy provides for. Market value is defined as:

"The cost of replacing your car with another of the same make and model and of a similar age and condition at the time of the accident or loss."

As a Service, our approach to vehicle valuations starts by looking at an insurer's valuation, which we generally expect to be based on relevant industry valuation guides. We'd expect an insurer's valuation to be based on the highest valuation guide figure (or higher). If it was, then we are likely to say it's fair, unless there's other evidence to say it is unfair (and an insurer can evidence their offer is fair where lower than the highest guide value).

Turning to the valuation guides, from the information provided by UKI, they obtained valuations from four guides, based on retail values. The valuations were based on the registration details of Mr W's vehicle and mileage at the time of the accident.

- (A) £3,325*
- (B) £3,580*
- (C) £3,947*
- (D) £4,670*

As there was a significant variation between the valuations, UKI discounted (A) and (D) as outliers and used the average of (B) and (C) which came to £3,764. They then applied the reduction of £83 for pre-existing damage to arrive at their final valuation of £3,681 (which I don't think unreasonable).

As set out earlier, as a Service we'd expect the insurer's valuation to be based on the highest valuation guide figure (or higher). If it was then we are likely to say it's fair. Unless there is other evidence to say this is unfair (and an insurer can evidence its offer is fair and reasonable when it's lower than the highest guide value).

UKI's initial approach to the valuation of Mr W's vehicle didn't adopt this approach, as it discounted the highest valuation guide figure (D) as an outlier. But they didn't provide any evidence to support that view. So, I don't think that initial approach was fair and reasonable.

In disagreeing with our investigator's view, UKI refer to the valuation figure provided by (B) also including examples of similar vehicles advertised for sale. They say these vehicles (two examples, reflecting the relative rarity of Mr W's vehicle) are evidence of B's valuation figure for Mr W's vehicle (£3,580) being fair. In this case, the two advertised vehicles (adjusting for mileages significantly less than the mileage of Mr W's vehicle at the time of the accident) would indicate their values would be close to the valuation of Mr W's vehicle if they had the same mileage as Mr W's vehicle.

I've also noted the valuation from (C) also includes examples of vehicles advertised for sale (from franchised or independent dealers) that range from £2,550 to £5,577 (with mileages that range from one very close to Mr W's vehicle to ones higher or significantly higher). One has the same year, registration plate and mileage close, advertised at £3,995.

For his part, Mr W has provided three examples of vehicles similar to his own, two with mileages significantly higher than his own vehicle, with the same registration plate (but previous year), both advertised at £4,990. These values are more in line with the valuation provided by (D).

Mr W makes the point his vehicle had a number of optional extras fitted and that he had recently had work carried out. But the optional extras on a vehicle of the age of Mr W's vehicle wouldn't add value (using (A) the valuation only added £150 from the extras). And the work Mr W had carried out would reasonably be considered maintenance to keep the vehicle in good working order.

I've considered both views and supporting evidence carefully. While there is significant variation in the various examples of vehicles advertised for sale in the valuations from (B) and (C) and from Mr W, on balance I've concluded there is sufficient evidence to support the conclusion that there is other evidence that UKI's offer is fair and reasonable while being lower than the highest guide value. So, I won't be asking them to increase their valuation.

While I've reached this conclusion, I've also considered the other aspect of the complaint, the inconvenience suffered by Mr W. UKI acknowledge issues with their handling of the claim in their final response, awarding £50 compensation. Having considered the circumstances of the case, and my conclusion that UKI's valuation is fair and reasonable, then I think the £50 compensation awarded is fair and reasonable. So, I won't be asking them to make a further award.

I've also considered the additional point made by Mr W about his vehicle being back on the road, which he feels is unsafe given the damage it sustained in the accident. However, this wasn't part of his complaint to UKI or their final response. And it wouldn't be something that falls within the remit of this Service and my role here is to decide whether UKI have acted fairly towards Mr W. It doesn't extend to what happened to Mr W's vehicle once it was declared a total loss. At that point, once settlement had been made, the vehicle became the property of UKI and would be for them to determine how to dispose of it (through their salvage agents).

My provisional decision

For the reasons set out above, my provisional decision is that I don't uphold Mr W's complaint.

Mr W didn't accept the provisional decision.

He referred to his own, long industry experience of motor claims and vehicle valuations. He also questioned why my provisional decision differed from the view of our investigator, believing the latter to be impartial and fair, based on the evidence available in the case. He said the investigator's view should be honoured and he thought the provisional decision unfairly favoured UKI, without any new evidence.

He thought the valuation from (D) was more credible, supported by the advertisement he had supplied for a vehicle the same as his own, with a higher mileage, for £4,990. He'd also purchased a replacement vehicle very similar to his own for £4,900 (with slightly lower mileage) which he then had to replace the cambelt at a cost of £600. Both of which he thought supported market values trending upwards and had been unfairly discounted in the provisional decision.

He also thought the extras fitted to his vehicle were material to its valuation, for which he should be indemnified, including those extras he specifically wanted on his vehicle (and a replacement vehicle).

UKI accepted the provisional 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.

My role here is to decide whether UKI have acted fairly towards Mr W.

I've considered the points made by Mr W in detail. On the points raised by Mr W. The first point I would make is that the nature of our complaints procedure is that it is a two-stage process. Complaints are initially investigated by one of our investigators, who will provide a view on the complaint, in terms of whether it should be upheld. If a complaint is upheld then the investigator also recommends how a business should put things right. Or an investigator may not uphold a complaint, concluding a business had acted fairly and reasonably.

While most complaints are resolved by the investigator, either the consumer or the business (or both) have the right to disagree with the investigator's view and ask that an ombudsman review the complaint. The role of the ombudsman is to review the complaint afresh, including all the evidence and information available, including any additional representations, evidence and information provided by the party requesting a review by an ombudsman.

The ombudsman will reach their own findings and conclusions on a complaint independently. By its nature, an ombudsman may reach different conclusions and a different outcome to those of the investigator. There would be little point having a two-stage complaint process if the ombudsman always agreed with the investigator's view (or had to 'honour' the investigator's view, as Mr W puts it).

So, there will be occasions where an ombudsman reaches a different outcome, which is why they issue provisional decisions, so both parties can consider what the ombudsman has said and respond with further representations, evidence and information should they wish. Where an ombudsman reaches a different outcome, it doesn't mean (as Mr W suggests) they haven't acted fairly or are biased in favour of one of the parties (as Mr W also suggests). Nor that they lack impartiality or integrity or that their different outcome indicates they think the investigator has reached a view that isn't impartial or fair.

Turning to the other points made by Mr W, he says the valuation from (D) is the most credible, implying those from other valuation guides are less reliable or of less value. As a Service, we do not take a view on individual valuation guides, which is why we look at valuations from a number of guides, as I set out in the provisional decision. Our approach is based on an expectation that an insurer would start from the highest figure from the valuation guides, and we would be likely to say it was fair. **Unless** (my emphasis) there is other evidence to say this is unfair (and an insurer can evidence their offer is fair and reasonable when it's lower than the highest guide value).

In this case, I considered the other evidence available, including examples of vehicles advertised for sale included within the valuations from (B) and (C). As I set out in my provisional decision, I noted a significant variation in the examples of vehicles advertised for sale in the valuations from (B) and (C) - and those from Mr W. So, I had to reach a view, on balance, whether there was sufficient evidence to support the conclusion there is other evidence that UKI's offer is fair and reasonable while being lower than the highest guide value. Which is what I did and set out in my provisional decision.

I recognise Mr W feels strongly that the examples of vehicles advertised for sale he provided (and the purchase price of his replacement vehicle) are in line with the valuation from (D), but as I've said, I consider the evidence from a range of sources in coming to a conclusion – not just one guide and examples of vehicles advertised at prices consistent with it.

Mr W also makes the point that his vehicle had a range of extras that he specifically looked for, both in his original vehicle and its replacement. I appreciate that he values these extras highly, but that doesn't mean that generally they add value to a vehicle – particularly on one of the age of Mr W's vehicle. Or that another buyer would similarly value them. And the valuation evidence available supports that (only the valuation guide (A) recognised an additional value for the relevant extras).

Taking all these points into consideration, I haven't changed my mind on the conclusions and outcome set out in my provisional decision, so my final decision remains the same as my provisional decision.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 April 2025.

Paul King
Ombudsman