

## **The complaint**

Mrs B complains about the market value Tesco Underwriting Limited placed on her car when settling a claim made under her motor insurance policy.

## **What happened**

Mrs B had a motor insurance policy underwritten by Tesco. In July 2024, Mrs B's car was stolen and so declared a total loss by Tesco when she made a claim.

Mrs B is unhappy with the valuation placed on the car. She says she is unable to replace the car with one of similar specifications with the settlement paid by Tesco and has provided adverts of similar cars being sold for higher prices to support this.

Tesco valued Mrs B's car at £12,395 based on some of the motor trade guides and sales adverts from Autotrader. Mrs B feels a valuation more in the region of £16k would reflect the market value of her car.

An investigator at the Financial Ombudsman Service considered the complaint and thought it should be upheld. Based on the various guides we use when assessing complaints of this nature, he said a fairer reflection of the market value of Mrs B's car was £13,382. He explained to both sides why the adverts they had provided in support of their positions didn't persuade him that a higher or lower valuation would be fairer.

Tesco didn't agree. So, because no agreement has been reached, the complaint has been passed to me to decide.

## **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 reached the same outcome as the investigator. I'll explain why.

The terms of Mrs B's policy outline that in the event of a claim, the most Tesco will pay is the market value. Market value is defined in the policy as:

*"The cost of replacing the car with one of similar age, type, specification, mileage and condition, immediately before the loss or damage happened."*

When assessing the value of Mrs B's car, Tesco checked two of the motor trade guides, as well as numerous sales adverts on Autotrader. These provided the following results:

- Glass's: £12,540
- CAP: £11,150
- Average advertised price based on adverts from Autotrader: £12,540

Taking these results into account, Tesco's appointed engineer suggested a market valuation of £12,395. Tesco offered that amount to Mrs B, less the policy excess of £250, in settlement of her claim.

Valuing a vehicle isn't an exact science. When considering disputes about vehicle valuations, as a starting point, the Financial Ombudsman Service takes into account what the different industry trade guides say the market valuation of a vehicle is. We'd also take into account any other available information, such as sales adverts or engineer's reports.

The guides we use as a starting point are CAP, Glass's, Autotrader (the valuation guide, not sales adverts) and Percayso. And we'd typically consider the safest way to ensure a consumer receives the correct replacement cost (market value) is to make sure the insurer bases its settlement on the highest one. Or – if it doesn't – to make sure the insurer has provided sufficiently persuasive, alternative evidence to demonstrate that a valuation lower than this is fair.

The valuations we've obtained using all four of the trade guides are:

- Glass's: £12,540
- CAP: £11,150
- Autotrader: £13,382
- Percayso: £13,196

Based on the above, and in line with the approach of the Financial Ombudsman Service, the highest guide result of £13,382 is therefore my starting point.

I've next considered whether either side has provided sufficiently persuasive additional evidence which would lead me to deviate from the highest guide price.

Tesco has provided five adverts from around the time of loss, and several more recent adverts, to support that its valuation was fair. I've thought carefully about these adverts, but they haven't persuaded me that a valuation below £13,382 would be fairer in the circumstances. I say this because I've discounted the more recent sales adverts on the basis that market valuations can vary reasonably significantly over time, and because the policy definition of market value is clear that it's referring to the cost of replacing the car immediately before the accident, not several months later.

In terms of the adverts from the point of sale, four of the five adverts have sufficiently higher mileage than Mrs B's car to persuade me it wouldn't be reasonable to consider them as suitable comparators. One of the adverts does have reasonably comparable mileage. But I don't consider that one sales advert in isolation is persuasive enough for me to discount the highest guide price.

Mrs B has also provided various adverts of similar cars for sale at significantly higher prices. But these adverts also haven't persuaded me that a valuation above the highest guide would be fair in the circumstances. I say this because while the advertised cars are similar, they're actually for models with differing specifications, and or for different transmission types. And so I don't think these amount to suitable comparators either.

Based on all the available evidence and arguments, in the specific circumstances of this complaint, I'm satisfied that a fair market value for Mrs B's car is £13,382 – in line with the highest trade guide.

In order to put things right, I think Tesco should pay Mrs B the full market valuation of £13,382, less the policy excess. Tesco should also add 8% simple interest to the difference between the settlement amount it initially offered, and the amount I'm awarding, from the date of its initial offer until the date of settlement. This is to compensate Mrs B for being deprived of the use of funds I think she was reasonably entitled to under the terms of her policy.

### **My final decision**

For the reasons I've explained above, I uphold Mrs B's complaint.

Tesco Underwriting Limited must:

- Increase the market value placed on Mrs B car to £13,382 and pay her any amount which remains outstanding.
- To the difference between the original valuation and the above, add 8% simple interest\* from the date of its initial settlement offer, until the date full settlement is paid.

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

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

Adam Golding  
**Ombudsman**