

The complaint

Mr L complains about the value Tesco Underwriting Limited (Tesco) placed on his car after he made a claim on his motor insurance policy.

What happened

In August 2024 Mr L's car was stolen, so he contacted Tesco to claim on his motor insurance policy.

Tesco valued Mr L's car at £10,583 less his excess. Mr L didn't agree with the valuation, so he complained to Tesco. Tesco didn't change its decision. It said it used several guides to determine a fair valuation and it reviewed the current market to understand how much cars like Mr L's were advertised or selling for. Tesco said it was confident Mr L could purchase a car for the value offered.

Dissatisfied Mr L brought his complaint to this Service.

Our Investigator said he wasn't persuaded Tesco's offer was fair and reasonable. Having considered the valuations obtained and additional evidence, he said an appropriate fair market valuation would be £11,880.

Tesco disagreed with our Investigator, so Mr L's 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.

My role isn't to work out the exact value of an individual vehicle. It's to look at whether an insurer has applied the policy's terms and conditions and valued the market value of the vehicle fairly.

Vehicle Value

Tesco when assessing a fair market value of a vehicle, have used valuation guides. The valuation guides are based on the advertised prices of similar cars, with a similar age and mileage as the vehicle it's valuing at the time of loss. It isn't unreasonable for Tesco to do this and is standard practice within the industry.

Tesco says it used three valuation guides when valuing Mr L's car. The valuations were £11,850, £9,150 and £10,233 respectively. Tesco has been asked to provide the guides it obtained. Having considered the available evidence, the valuation of £10,233 isn't included. On this basis, I'm unable to consider the valuation of £10,233 as I haven't been able to confirm that the correct vehicle information has been used when obtaining this guide.

As to the other two guides, although the correct vehicle information has been used, the quoted mileage of Mr L's car differs between the two guides by 500 miles. As Mr L's car was

stolen and not recovered it's not possible to accurately know what its mileage was at the time of loss. I therefore don't think the difference in the mileage between the guides is such that the valuations should be discounted. This is also considering the age of Mr L's vehicle and its approximate likely mileage. Therefore, I think the values obtained in the two guides are relevant.

This Service has obtained its own valuations of £9,195, £11,558, £11,608 and £11,880 respectively.

I'd consider it good industry practice for Tesco to look at the highest valuation guide as the fairest reflection of the market value of Mr L's car, unless it can show this isn't a fair reflection of the vehicle's market value.

In addition to the guides obtained Tesco has provided eight advert examples for similar vehicles to Mr L's. Although unhappy with the valuation, Mr L hasn't provided any adverts in support of his contention that the market value of his car should be higher.

Having looked at Tesco's adverts, two appear to have been obtained in August 2024, when Mr L's car was stolen. When looking at these adverts, one is valued at £9,475 and the other at £10,990. The advert for £9,475 doesn't have the same specification as Mr L's car, as the advert is for a 3 door car whereas Mr L's was a 5 door car. I'm therefore not persuaded to take into account this advert when considering the valuation of Mr L's car.

Although the advert for £10,990 is for a similar vehicle to Mr L's, I note the mileage for the advertised vehicle to be higher than Mr L's by circa 4000 miles. And, the vehicle is advertised at a higher price than the valuation Tesco has placed on Mr L's car. I'm therefore not persuaded this advert is supportive of Tesco's valuation of £10,583.

The remaining six adverts appear to have been obtained in January 2025, when provided to this Service. As the six adverts provided to this Service in January 2025 aren't contemporaneous, I'm not persuaded they are representative of the market at the time Mr L's car was stolen.

Therefore, taking everything into account, I don't find Tesco's valuation of £10,583 for the market value of Mr L's car to be fair and reasonable. Tesco's own adverts aren't supportive that Mr L could purchase a similar vehicle to his own for the value it placed on his car.

I'm therefore more persuaded a valuation of £11,850 is a fairer reflection of the market value. Whilst the valuation is in line with the highest valuation guide Tesco has obtained, it's only minimally different to the next highest valuation guide this Service has obtained, and which our Investigator previously recommended. However, given the proximity of Tesco's valuation guide to the time of loss and the minimal difference to our own highest valuation, I believe the same to be fair and reasonable.

Putting things right

To put things right, Tesco Underwriting Limited must pay to Mr L:-

1. £11,850 in settlement of the market value of Mr L's car, minus the applicable policy excess and what it's already paid.
2. 8% simple interest per year should be added to the additional amount it pays, calculated from the date of the interim payment until the date of settlement.

If Tesco Underwriting Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L how much it's taken off. It should also

give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons set out above my final decision is I uphold this complaint. Tesco Underwriting Limited needs to do the things set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 6 May 2025.

Lorna Ball
Ombudsman