DRN-5478919

The complaint

Mr B complains about the settlement payment Aviva Insurance Limited ("Aviva") offered following the total loss of his car, under his motor insurance policy.

What happened

Mr B was involved in a car accident. His car was determined to be a total loss. He was offered £24,536 by Aviva in settlement of his claim. Mr B didn't think this reflected the true value of his car. He says he can't buy a replacement with the same specification and mileage for this amount.

In its final complaint response Aviva says Mr B's policy pays the market value for his car in the event of a total loss. It says it based its valuation on the industry trade guides. As well as its own market research of similar vehicles to ensure the guides were realistic. Aviva told Mr B there was no justification to increase its settlement offer.

Mr B didn't think Aviva had treated him fairly and referred the matter to our service. Our investigator upheld his complaint. He says that based on the trade guides and the evidence of comparable cars for sale with the same specification, Aviva should settle Mr B's claim for £24,990. He says it should pay interest on the delayed part of this payment.

Mr B didn't accept our investigator's findings and asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

I issued a provisional decision in February 2025 explaining that I was intending to uphold Mr B's complaint. Here's what I said:

provisional findings

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 my intention is to uphold this complaint. Let me explain.

Mr B's policy provides the market value in the event of a total loss due to accident damage. This is defined as:

"The cost of replacing your vehicle with one of the same make, model, specification, year, mileage and condition. The market value determined at the time of loss or damage, may also be affected by other factors such as MOT status (if one is required), how you purchased your vehicle and whether it has been previously declared a total loss."

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

Aviva obtained valuations from two of the same trade guides that we use. I've looked to see that it used the correct mileage, age, make and model of car, which it did. I also checked to see that it used the correct date for Mr B's loss, which was 17 February 2024. This was also done correctly. The values it obtained were for £22,770 and £23,500. It then offered £24,536 which included £978 it had estimated for the optional extras the car came with.

Our investigator was able to obtain valuations from two more trade guides. Again, I've checked to see that he used the correct information for Mr B's car and the date of his loss, which he did. The highest valuation was for £24,616. However, this doesn't include the optional extras Mr B car came with.

I obtained further information from the trade guides to understand what if anything the optional extras would add to the market value of Mr B's car. The figures I've seen show they would add £800 to the valuation.

Valuing second-hand vehicles isn't an exact science so we look to see that Aviva took a reasonable approach in these circumstances.

There's a considerable difference between the highest valuation Aviva obtained, less the optional extras, and the higher valuation we obtained. Where there is a significant variance in the trade guide valuations, and the insurer doesn't offer the higher of these in settlement, we expect it to provide evidence to support why it considers its approach to be fair.

Aviva has supplied six adverts. The cars shown range in price from £21,999 up to £25,074. The mileages are roughly comparable to Mr B's car ranging between 50,000 and 57,000 miles. This is true apart from the most expensive, which has only covered around 40,000 miles. None of the adverts refer to the optional extras that Mr B's car had. From what I can tell these adverts were published in July 2024. So around five months after Mr B's loss.

Mr B provided two adverts showing the exact same model and specification of car for sale. One was for sale at £24,990 the other for £24,980. Both are advertised at a higher price than the highest of the trade guide valuations. Albeit the trade guide valuations don't allow for the optional extras. Mr B has also supplied an email from a car dealership dated 18 May 2024. It says if it was selling his car now it would offer it for £24,798. If it was to backdate this to February, the date of Mr B's loss, it says it would have looked to sell the car for £25,998.

I've carefully considered all of the evidence. None of the adverts Aviva provided are for the exact same car as Mr B's car. The adverts also look to be from those available five months after the loss occurred. Mr B's examples are for the exact same car, with similar mileage. But again, these were offered for sale around three months after the loss occurred. Having considered all this, I think the fairest approach is to use the highest trade guide valuation for £24,616. But to account for the optional extras a further £800 needs to be added per the figures I obtained.

Aviva has previously disputed paying Mr B any amount over £24,990. This is because it says an exact replacement for his car could be bought for this amount. But this is based on the adverts Mr B provided that were published several months after his loss occurred. Based on what I've read I'm not persuaded that its fair for Aviva to pay less than the higher of the trade guide valuations, plus the optional extra adjustment. So, it should pay the difference in the *settlement amounts plus 8% simple interest.*

I've thought about the impact all of this has had on Mr B. I don't think a fair settlement was paid by Aviva. This has been frustrating for Mr B and caused him inconvenience. I think it's fair that the business pays him £100 to acknowledge this.

Mr B has concerns about the hire car he was provided with. However, this is being dealt with as a separate complaint, so I won't comment on this here.

I said I was intending to uphold Mr B's complaint. Aviva should pay him £880 plus 8% simple interest in addition to £100 compensation.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Aviva responded to say it accepted my provisional decision.

Mr B didn't respond with any further comments or 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.

As neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My intention is to uphold this complaint. Aviva Insurance Limited should:

- pay Mr B the difference in valuation figures which is £880, it should add 8% simple interest* on the unpaid amount until payment is made in full; and
- pay Mr B £100 compensation for the frustration and inconvenience it caused.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 9 May 2025.

Mike Waldron
Ombudsman