

The complaint

Mrs J complains about the settlement Tesco Underwriting Limited offered her for the total loss of her car following a claim made on her motor insurance policy. Mrs J is represented in this matter by Mr J, a named driver on her policy.

What happened

Mrs J's car was stolen and not recovered, and she made a claim on her policy. Tesco offered her £23,349, less the £450 policy excess, in settlement of her claim. But Mr J was unhappy with this and with the level of service they received. He thought he couldn't replace their car for this amount. He thought it would cost about £3,000 more to replace the car. He didn't think Tesco's valuation had taken into account the car's optional extras.

Our Investigator didn't recommend that the complaint should be upheld. He thought Tesco had reasonably based its settlement for the car's market value on the motor valuation guides we use. He thought its offer was the highest of the valuations provided by the motor valuation guides. So he thought this was fair and reasonable.

Mr J replied that he disagreed. Mr J asked for an Ombudsman's review, so the complaint has come to me for a final 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.

I can understand that Mrs J wants a fair settlement for the loss of her car. Mr J said that they had bought the car at auction a year before the theft for about £28,000. So he was disappointed with Tesco's offer.

Mrs J's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet as:

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

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor valuation guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available

evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought Tesco's settlement offer was fair and reasonable. So I've checked how he came to this conclusion. I can see he looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mrs J's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

Tesco had provided a valuation of £23,349, which was the highest of the valuations provided by the guides and higher than those found by the Investigator. This took into account the car's lower than average mileage. The optional extras added value on one valuation, so I think Tesco reasonably took these into account.

I can understand that Mr J feels that he got his car for a good price at auction and so he feels that Tesco's valuation is too low. But I can't reasonably take into account the price he paid for a second hand car a year earlier when the motor valuation guides provide valuations for it at the date of its loss.

So I haven't been provided with any evidence to persuade me that Tesco's valuation was unreasonable. And so I agree that Tesco's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 3 June 2025.

Phillip Berechree
Ombudsman