

The complaint

Mr I complains about the total loss settlement Tradex Insurance Company PLC ('Tradex') agreed to pay following a claim made on his car insurance policy.

What happened

In December 2024, Mr I's car was damaged from an accident involving another vehicle. So, he contacted Tradex to make a claim.

Mr I's car was determined to be a total loss following an assessment of the damage and Tradex agreed to a total loss settlement of £2,525. Mr I disputed the amount and on further review Tradex agreed to increase it to £2,701. Mr I disputed the valuation again and made a complaint.

Tradex provided a final response to the complaint on 21 January 2025 saying it agreed to increase the total loss settlement to £2,839 based on an average of valuations from three motor valuation guides, but that this would be its final offer.

Mr I remained dissatisfied and brought his complaint to us. Our investigator didn't think Tradex had valued the car fairly. He said he had checked motor valuation guides which produced valuations of £2,747, £2,630, £3,040 and £3,139. Given the valuation guides varied significantly from the highest to the lowest he considered if Tradex had shown it was fair to base the valuation on an average or if Mr I could buy a similar replacement car for the £2,839 valuation Tradex agreed to.

But the investigator didn't think Tradex had shown this, so he recommended it settle the claim by increasing the valuation to the highest amount from the guides of £3,139 in addition to adding interest to any additional settlement payment and paying Mr I £100 compensation for the inconvenience caused by not paying a fair settlement.

Mr I accepted this recommendation, but Tradex did not. It provided some examples of other cars for sale which were similar to Mr I's car which it thought showed he could buy a similar car for what it had already agreed to pay. The investigator reviewed these adverts, but wasn't persuaded they showed it would be fair for Tradex to pay less than £3,139 valuation.

Because Tradex didn't agree, the complaint was referred 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 decided to uphold this complaint. I'll explain why.

I should start by saying it isn't the role of this Service to work out what the exact value of a vehicle is. We instead look at whether the insurer has applied the terms of the policy correctly and valued the vehicle fairly.

I've begun by looking at the policy terms. These required Tradex to pay Mr I the market value of his car, which is defined as the cost of replacing the car with one of the same make, model, specification, age, condition and mileage of the insured car immediately before the loss happened. This is typical of how car insurance policies will usually settle a claim for a car which is a total loss.

Tradex used motor valuation guides, which is standard industry practice and isn't unreasonable given that the valuations these guides provide are generally based on the prices of similar cars for sale.

However, the valuations Tradex obtained varied widely from the lowest amount of £2,630 to the highest amount of £3,139 and instead of basing the settlement on the highest amount, Tradex used an average of the three valuations it obtained.

Tradex only used valuations from three guides, whereas our investigator obtained a fourth valuation of £3,040 from another guide. I acknowledge Tradex's comments on why it only uses valuations from three guides, but the option would have been available for Tradex to also use this fourth guide had it wanted to. And by not doing so, I think it led to Tradex unfairly reaching a lower settlement figure since this fourth guide produced a higher valuation than two of three guides which Tradex did use.

I've considered if it was reasonable for Tradex to pay Mr I a total loss settlement based on an average of valuation guides. There is a risk of detriment to a consumer not receiving a fair market value for their vehicle where an average is used of motor guide valuations instead of the settlement being based on the highest valuation produced by the guides.

Tradex doesn't think that happened here because it thinks based on advertisements it has seen that Mr I could replace his car with one similar for the settlement amount it agreed. Additionally, Tradex doesn't think it's fair to use the valuation of £3,139 saying that the valuation at the time of its initial review from this guide was £2,927.

The valuations in motor valuation guides can change over time as these guides update their algorithms. But I'm not persuaded the £3,139 valuation should not be used because of this. I say this because Tradex already relied on the £3,139 figure when calculating the average it based its settlement offer on. Moreover, the change from the previous valuation of £2,927 is relatively minor. I do not think it represents a significant deviation that would suggest the updated figure is unreliable. Additionally, the fourth valuation of £3,040 aligns closely with the £3,139 valuation which I think also likely supports its reliability. Taking all this into account, I don't consider the £3,139 valuation to be an unreliable outlier which should be disregarded.

I've also reviewed the adverts which Tradex has provided. But I'm not persuaded a lower valuation is fair based on these. Some of the vehicles listed are located an unreasonable distance from Mr I. In addition, the adverts are not for cars with closely comparable mileage, which is a key factor in determining market value. Finally, the adverts do not appear to show what date they are from, so I cannot be confident they are representative of the market value at the time of loss.

Having considered the evidence, I think there is a risk of detriment to Mr I if the total loss settlement is based on an average of £2,839 instead of the highest valuation the guides provided of £3,139. Because of this, I don't think Tradex has fairly valued Mr I's car so I have decided to uphold this complaint.

Putting things right

To put things right, I require Tradex to do the following:

- Pay Mr I an additional £300 to bring his total loss settlement payment in line with the highest valuation of £3,139 from the motor valuation guides.
- Add eight percent simple interest per year to this additional payment calculated from the date Mr I's total loss settlement was originally paid, to the date the additional £300 payment is sent.
- Pay Mr I £100 compensation for the distress and inconvenience caused by unfairly valuing his car.

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

My final decision

My final decision is that I uphold this complaint and I require Tradex Insurance Company PLC to carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 18 June 2025.

Daniel Tinkler
Ombudsman