DRN-5570241

The complaint

Mr O complains about how Aviva Insurance Limited handled a claim under his motor insurance policy.

What happened

Mr O had an Aviva motor insurance policy. In February 2024, he was involved in a road accident. His car was badly damaged so he made a claim on his policy. Aviva declared the car a total loss and initially offered to settle the claim for £1,448, less the £250 policy excess. It later increased its offer to £2,000, then again to £2,473.

Mr O didn't accept this and complained about Aviva's handling of his claim. However, Aviva wouldn't increase its offer. It settled the claim by paying £2,223 to Mr O in May 2024. This represented the value of his car (£2,473), less the policy excess.

Mr O remained unhappy and brought his complaint to this service. He wants Aviva to increase its settlement offer and compensate him for the time and effort he had to spend dealing with the claim.

Our investigator didn't recommend that the complaint should be upheld. He reviewed the valuation guides and the adverts Aviva used to calculate the market value of Mr O's car. Having done so, he was satisfied that Aviva's offer was fair. He also thought Aviva had settled the claim relatively promptly.

Mr O didn't agree so the complaint was passed to me.

My provisional decision

I issued a provisional decision on this complaint on 7 May 2025. I said:

"*Under the policy terms Aviva must pay Mr O the market value of his car when it's declared a total loss. Page 6 of the policy booklet defines market value as:*

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

Aviva used two valuation guides to help it value Mr O's car. These guides are based on nationwide research of selling prices. They quoted £2,625 and £2,005. I'm satisfied that these valuations were based on a similar make, model, mileage, and condition of Mr O's vehicle at the time of loss. Our investigator found a third guide quoted £2,571. So two guides suggest the value of Mr O's car is between £100 to £150 higher than Aviva's final offer.

Aviva also sent us seven adverts from a well-known motor sales platform, all for the same make, model, and approximate mileage as Mr O's car:

- *Three adverts quote prices higher than Aviva's valuation (£2,849, £2,600, £2,500).*

- *Four are lower (£2,190, £2,100, £1,750, £1,695).*

Aviva will be aware of this service's approach to valuation. As our investigator explained, when an insurer offers below the highest guide valuation it needs to show why it's done this. In my opinion, Aviva hasn't shown why its valuation should be less than £2,625. I say this for three reasons.

First, there's no obvious correlation between the two valuation guides and any of Aviva's three offers. We asked Aviva to explain exactly how it calculated each offer. It simply told us: "The different valuations were offered as the customer's dispute went through our PAV [pre-accident valuation] process." I don't think that's an adequate explanation.

Second, the engineer's report noted "corrosion to the passenger side rear quarter panel and 3x alloy wheel rims damaged", and estimated the cost of repairing this at just over £1,000. Mr O disagrees. He says the suggestion that three alloy wheels were damaged "is simply false". He acknowledged there was "minor bubbling" under the rear right brake light, but says this is a recurring issue on this model and "definitely not something an owner of this model would pay to fix." It doesn't look like Aviva applied a deduction for damage but it failed to confirm this when we asked. In any case, I'm not persuaded that the photos Aviva provided are enough to persuade me that any deduction for pre-accident damage would be appropriate.

Third, I don't think the adverts Aviva sent us support a valuation lower than the higher of the two guides. For example, two of the three highest valuations are for cars with higher mileages than Mr O's car. This might suggest Aviva's valuation is too low. On the other hand, three of the four lowest valuations have lower mileages than Mr O's car, suggesting its valuation might be too high. I think it's also worth noting that sale prices are often lower than the advertised price after negotiations between buyer and seller. So I think the adverts simply confirm Mr O's car was probably worth between £1,700 and £3,000, but they don't tell us much more than that.

Mr O believed Aviva should pay him the valuation on his policy schedule (£3,000). However, this is an estimate made at the start of the policy term. An insurer will generally only make a formal valuation when it settles a claim. More recently, Mr O told us "a car like [his] with a perfectly maintained (as new) bodywork will be over £5,000." While I appreciate Mr O thinks his car was "becoming a modern classic", he hasn't provided any evidence for this or for a valuation close to £5,000.

Mr O also had concerns about the condition of the cars in Aviva's adverts. However, I think it's reasonable to assume the advertised prices were based on cars in good condition, including the interior. And while I accept his point that his insurance premium is partly based on where he lives, I don't agree with him that sales prices are similarly affected by location or that Aviva should only have considered cars for sale in his local area.

Having reviewed the evidence, I see no reason why Aviva shouldn't settle the claim based on the higher of the two guides it used to value Mr O's car in March 2024. I think it should pay Mr O the difference between £2,625 and £2,473, plus interest.

I'm also concerned by the incremental nature of Aviva's offers. It initially offered him £1,448, less the policy excess. When Mr O rejected this it offered him £2,000. Finally, it offered him £2,473. The settlement offer is based on the market value of Mr O's car – a fixed value – so I don't see why Aviva should gradually increase its offer like this. Again, Aviva didn't explain this when we asked. This suggests two customers in the same position might be treated differently depending only on whether they challenged their initial offer. It also means it took Aviva over a month to offer Mr O something approaching a fair market value for his car. I *don't think that's reasonable and I think Aviva should compensate Mr O for this.*

Finally, Mr O is unhappy with how Aviva handled his claim. For example:

- *He said he couldn't contact Aviva's emergency helpline at the time of the accident and had to arrange and pay for the recovery of his vehicle. I understand how this would have added to Mr O's distress, following what sounds like a frightening accident. I'm glad to see Aviva refunded this cost.*
- *Mr O made the claim on 25 February. Due to the circumstances of the accident and the parties involved, Aviva told him the claims process could take up to six months. While I understand why that might have been true for issues around liability, it isn't relevant when it comes to offering Mr O a fair settlement value for his car.*
- *Aviva's engineer texted Mr O at 9.30pm on 7 March to arrange an inspection the following morning. Mr O says he "wearily agreed." The engineer called Mr O at 7am the next morning and turned up at his home 25 minutes later. Aviva told us it wasn't sure why this happened. In my opinion, calling and arranging a visit out of normal working hours at such short notice was unreasonable.*
- *Mr O says he was frustrated by Aviva's webchat function. Aviva told us Mr O had an online policy so "would have been encouraged to use the Chat Function, rather than using telephony." That's fine, however Aviva will be aware of the Consumer Duty, which set out higher and clearer standards of consumer protection. This means, among other things, that insurance companies should ensure their customers are adequately supported after the point of sale – for example, when they need help sorting out a problem – and without creating unreasonable barriers to this. I've reviewed the webchats. Several lasted over 45 minutes (one longer than two hours), the online agents refused to give Mr O a phone number when he asked to speak to someone about his claim, and he had to pass multiple security checks during the same chat. I can see why Mr O was frustrated.*

I think Aviva should compensate Mr O for this. I've thought about the level of award made by this service in similar circumstances. Having done so, I think it should pay Mr O £500 to reflect the distress and inconvenience it's handling of the claim caused him. This covers the incremental settlement offers as well as its overall handling of the claim, as set out above."

Responses to my provisional decision

Aviva accepted my provisional decision.

Mr O told us he was satisfied with my provisional decision but asked me to reconsider the adverts. He explained "*the importance of only considering cars on sale in a reasonable area not too far from my residence*", and said the cost involved in travelling via public transport to locations many miles from his home to see £3,000 cars would be neither reasonable nor economical.

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 understand Mr O's point, however travel cost isn't a relevant factor when valuing his car.

Our starting point is the valuation guides. We tend to place more weight on these because they're based on nationwide research of selling prices and generally more reliable than individual adverts. Adverts are another way of checking how much it might cost a customer to buy a replacement vehicle, but they can be misleading as sale prices are often lower than the advertised price after negotiations between buyer and seller. However, it's still important to compare them against the guide valuations to help make sure an insurer offers a fair market value. Location doesn't usually have a significant effect on prices.

As I said in my provisional decision, I think the adverts Aviva reviewed simply confirm Mr O's car was probably worth between £1,700 and £3,000, but they don't tell us much more than that. They don't persuade me that Aviva should offer higher or lower than the valuation guides. I'm satisfied that the highest of the valuation guides is a fair market value for Mr O's car.

As neither party offered any further evidence, I see no reason to change my provisional decision. I uphold the complaint for the reasons set out above.

My final decision

My final decision is that I uphold the complaint and order Aviva Insurance Limited to:

- Increase its settlement offer by £150.
- Add interest to this at 8% simple per year from the date it paid Mr O to the date of settlement.
- Pay Mr O £500 to reflect the distress and inconvenience its handling of the claim caused him.

If Aviva considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr O how much it's taken off. It should also give Mr O a certificate showing this 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 Mr O to accept or reject my decision before 17 June 2025.

Simon Begley
Ombudsman