DRN-5586057

The complaint

Ms G has complained that the offer made to her by her motor insurer, Acromas Insurance Company Limited ('Acromas'), for the market value of her car was too low.

What happened

In December 2024 Ms G was involved in an accident which unfortunately rendered her car a total loss. She made a claim on her motor insurance policy with Acromas who assessed the car and initially provided a valuation of £2,140.

Ms G didn't agree and provided adverts for car she had found which were similar to hers. The cars were advertised for £3,250, £3,500 and £3,975. She believed Acromas should have offered her the average valuation of £3,575.

Ms G complained to Acromas who said that its offer was based on valuations provided by trade guides. But it agreed to increase its valuation to £2,200.83. After deducting £107 (5% of the valuation) because of the car's poor pre-accident condition and the £450 excess, it paid Ms G an additional £60.

Ms G didn't agree and brought her complaint to our service.

One of our investigators reviewed the complaint and thought it should be upheld. Our investigator said that £2,850 was a fair and reasonable valuation in the circumstances. Our investigator also ultimately agreed with Acromas deducting 5% (£142.50) from the valuation because of the car's condition. She said Acromas should pay Ms G the difference between what it had already paid her and £2,707.50.

Acromas didn't agree and asked for an ombudsman's decision. Ms G also didn't feel her car was in a poor condition and provided evidence which she said showed it had been well maintained. The matter was then 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.

Ms G's policy includes cover in the event her car is damaged in an accident. Under the policy the most Acromas will pay is the market value of the car, accessories and spare parts at the time of the accident unless covered under another part of the policy.

The policy defines the market value as:

“The cost of replacing your vehicle with a vehicle of the same make, model, specification, age, mileage and condition as your vehicle was immediately before the loss or damage you are claiming for.”

Our service has an approach to valuation cases like Ms G’s that has evolved in recent times. When looking at the valuation placed on a car by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn’t value cars. Instead, we check to see that the insurer’s valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they’re based on nationwide research of sales prices.

Acromas used three motor guides which produced values of £2,673, £2,252 and £1,495 respectively. I’ve also reviewed the three valuations our investigator obtained, and the guides returned values of £2,850, £1,485 and £2,199. A fourth guide did not return any results due to the car’s age. The valuations obtained by both parties are broadly in line with one another. I note that the two highest valuations are closer to each other. But I haven’t discounted the lowest valuation as there is nothing to suggest it isn’t correct.

Acromas valued Ms G’s car at £2,200.83 using the guides.

Ms G has provided three adverts which I have considered but didn’t find as persuasive as the motor trade guides as two were for cars with lower mileage than Ms G’s including one with an automatic gearbox, something that tends to increase the asking price. One car had similar mileage to Ms G’s and was advertised for £3,500.

Acromas also provided its own adverts. One was for £1,450 but that car was already a category N salvage so I don’t think it is comparable to Ms G’s car. And another advert for a car with slightly lower mileage and which was advertised for £2,200.

As I said above, under the policy Acromas will pay the market value of the car immediately before the incident based on a car of similar specification, age etc. And though we may sometimes consult adverts we don’t often find them as persuasive as the guides. And this is because the price a car is listed for is more often than not, not the price it sells for which is often negotiated down. Also, advertised prices can vary substantially between cars with similar mileage no doubt depending on their condition which isn’t always evident from the advert.

Looking at the valuations produced by the guides I am not persuaded that Acromas’s offer of £2,200.83 is fair and reasonable.

Given there isn’t any other relevant and persuasive evidence to persuade me that a valuation in line with the highest valuation produced is inappropriate and to avoid any detriment to Ms G the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that a fair market valuation would be £2,850.

Acromas deducted 5% from its valuation as it said that the car had been poorly maintained. This is something that was mentioned in the engineer's report. And Acromas has since provided further engineer's comments which stated that the car wouldn't pass another MOT due to its poor condition. I appreciate Ms G doesn't agree with this and has provided evidence that the car had passed its last MOT and had been serviced regularly. I sympathise with Ms G but I find the engineer's evidence more persuasive because they were the last person to examine the car and would be more familiar with its condition. So I think Acromas's 5% deduction is fair and reasonable in the circumstances.

My final decision

For the reasons above, I have decided to uphold this complaint. Acromas Insurance Company Limited must pay Ms G the difference between what its previous valuation (£2,200.83 minus £107) and £2,707.50; this being the £2,850 valuation less 5%. It must also pay 8% simple interest per year on the amount it pays her from the date of its final response letter where it made its previous offer to the date it pays her.

If Acromas Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms G how much it's taken off. It should also give Ms G a tax deduction certificate if she asks for one so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 22 August 2025.

Anastasia Serdari
Ombudsman