

The complaint

Mr G complains that 1st Central Underwriting Limited offered him an unfair settlement following a claim on his motor insurance.

What happened

Mr G had a 1st Central motor insurance policy. In February 2025, his car was hit by a third party. The third party's insurer admitted liability and 1st Central accepted the claim. It declared the car a total loss and offered Mr G £5,706 in settlement.

Mr G didn't accept this. He sent 1st Central adverts which he said showed his car was worth between £6,700 and £7,200. 1st Central increased its offer to £5,993, then to £6,200. It paid him £6,200 in March 2025.

Mr G remained unhappy with the settlement. He doesn't think it's enough for him to buy a like-for-like replacement. He wants 1st Central to refund the £6,690 he paid for the car in August 2024 and pay his "*additional expenses*", which he estimated at £750.

Our investigator recommended that the complaint should be upheld. She found three trade guide valuations based on the same make, model, year, and mileage as Mr G's car. The highest of these was £6,457. She thought this was a fair market value for the car and recommended that 1st Central pay Mr G the difference between this amount and £6,200, plus interest.

Mr G didn't accept this, so the case was passed to me to make 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.

Mr G's policy says if 1st Central can't repair Mr G's car, it must pay him its market value. Page 4 of the policy booklet defines market value as: "*The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss. This may not be the same price you originally paid for your car or the value you declared on the Statement of Fact.*"

As our investigator explained, when we look at complaints about valuations, we check the relevant trade guides and consider whether the insurer has made a reasonable offer in line with them. These trade guide values are based on nationwide research of selling prices. Adverts are another way of checking how much it might cost a customer to buy a replacement vehicle. However, these can sometimes be misleading as sale prices are often lower than the advertised price after negotiations between buyer and seller.

1st Central sent us the trade guide valuations it used to value Mr G's car. These gave values of £5,420 and £5,993. It initially offered the average of these, then the higher value, before finally offering Mr G £6,200. This last offer appears to be its engineer's valuation for Mr G's

car but it isn't clear where he got this from.

Our investigator found the following trade guide valuations based on a similar make, model, mileage, and condition of Mr G's car at the time of loss: £5,420, £5,993, and £6,457. She thought a fair market value would be the highest of these. 1st Central accepted this.

Mr G sent 1st Central two adverts for similar cars to support his position. These were: £7,499 (same year, broadly the same mileage) and £6,290 (a year 'newer', about 6,000 more miles on the clock). He sent us a third advert: £6,995 (same year, just under 8,000 more miles). I think the range of these advertised prices show the difficulty of using adverts to get a fair market valuation for Mr G's car. But I'm satisfied that they show 1st Central's offers were too low.

Mr G set out the additional costs he'd like 1st Central to cover: the taxi fare for his journey home after the accident, fuel in the car, and two days' loss of earnings while he arranged a rental vehicle. I'm afraid his policy doesn't cover any of these. He also told us that he'd spent money servicing and maintaining his car. Generally, we don't ask insurers to refund servicing or maintenance costs because we'd expect a policyholder to keep their car in good condition and the car's condition is reflected in the trade guide valuations. I see no reason to ask 1st Central to refund these costs in this case.

Mr G is unhappy that he's lost money because of the third party's careless driving. He had the car for less than six months and, in his words, it was "*a perfectly good car.*" I understand that and if I was in his position I'd probably feel the same. However, 1st Central's liability is limited to its obligations under the policy terms – paying him the market value of the car. And it doesn't have to refund any sales, delivery, or other associated costs for a replacement, as he recently proposed.

Having considered the evidence, I'm satisfied that a fair market value for Mr G's car is £6,457. 1st Central should pay Mr G the difference between this sum and its original settlement, plus interest.

Finally, Mr G was frustrated by the settlement process. 1st Central made him three offers between 17 February and 4 March. I'm concerned by the incremental nature of these offers. This feels more like a negotiation and suggests two customers in the same position might be treated differently depending only on whether or not they challenged the initial offer. It also meant it took three weeks for it to offer Mr G something approaching a fair market value for his car. I understand his frustration. I think this also reinforced his belief that 1st Central wasn't offering him a fair value. I don't think that's reasonable and I think 1st Central should compensate Mr G 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 him £150 to reflect this frustration and the inconvenience it caused him.

My final decision

My final decision is that I uphold this complaint and order 1st Central Underwriting Limited to:

- Pay Mr G £257 to reflect the difference between the market value for his car and its settlement offer.
- Add interest to this sum at 8% simple per year from the original settlement in March 2025 to the date it pays the amount above.
- Pay Mr G £150 to reflect the frustration and inconvenience it caused him.

*If 1st Central considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G 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 G to accept or reject my decision before 2 October 2025.

Simon Begley
Ombudsman