

The complaint

Mr K complains about the amount Covea Insurance plc (Covea) have paid to settle a claim he made under his motor insurance policy.

What happened

The circumstances of this complaint will be well known to both parties and so I've summarised events. In 2024 Mr K was unfortunately involved in an accident involving another vehicle. His claim was originally passed to an accident management company but was ultimately passed to Covea to deal with under Mr K's motor insurance policy. Covea declared the vehicle a total loss and said it would pay Mr K the market value of his vehicle minus his policy excess and any deductions for pre-existing damage.

Covea valued Mr K's vehicle at £1,425. However, it said Mr K's vehicle had pre-existing damage and had previously been written off so deducted £584 from the valuation. After it deducted Mr K's policy excess of £400 it said it would pay Mr K a settlement of £441. Mr K didn't agree with this and so a payment wasn't made to him. Mr K didn't think this was reasonable and so raised a complaint.

On 19 November 2024 Covea issued Mr K with a final response to his complaint. It said it made deductions for a crack to the front bumper and broken wing mirror and this was fair. It said the driver's seat was worn and torn, and the interior was heavily stained but it didn't make any deductions for this. Mr K referred his complaint to this Service.

Our investigator looked into things. He said he had consulted three market valuation guides and he felt the guide which provided the highest valuation (£2,228) gave a fairer reflection of the market value of Mr K's vehicle. He said he didn't think the adverts of vehicles Covea had provided demonstrated a lower valuation was reasonable. He said he thought the deductions of £584 for pre-existing damage were reasonable in the circumstances, and it was reasonable for Covea to deduct Mr K's £400 policy excess from the settlement it paid him. He thought Covea should increase its valuation of Mr K's vehicle to £2,228 and pay 8% per year simple interest on the additional settlement due.

Covea didn't agree with our investigator. It said it thought the valuation it had placed on Mr K's vehicle was reasonable in the circumstances.

I issued a provisional decision about this complaint and I said:

'I want to acknowledge I've summarised Mr K's complaint in less detail than he's presented it. I've not commented on every point he has raised. Instead, I've focussed on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Mr K and Covea I've read and considered everything that's been provided. I've addressed the key points separately.'

Valuation of Mr K's vehicle

The role of this Service isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly.

The terms of Mr K's policy say Covea will pay Mr K an amount equal to the loss or damage, and won't pay more than the market value of the vehicle at the time of loss. Market value is defined in the policy as:

'The cost of replacing the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened.'

It is standard practice for the industry to use valuation guides to work out the estimated value of a vehicle, and it's not unreasonable that it does so. The valuations the guides produce are based on nationwide research of likely sales prices.

Covea assessed the market value of Mr K's vehicle by using three market valuation guides which produced valuations of £1,289, £1,550 and £2,225 respectively. Covea said the highest guide valuation of £2,225 was significantly higher than the other two guides and so it dismissed it. It then averaged the two remaining guides to reach a valuation of £1,425.

Where valuation guides provide a range of values, we'd compare the insurer's valuation against the highest value given by the guides, unless there is something to suggest this isn't a fair reflection of the amount similar cars sell for on the open market.

Covea have provided three examples of vehicles similar to Mr K's, all which have a sales price considerably lower than the valuation guide of £2,225. And this valuation is, proportionally speaking, much higher than the valuations produced by the other two guides. And so, I think the evidence provided demonstrates this valuation guide isn't a fair reflection of the value of Mr K's vehicle. Therefore, I think it was reasonable for Covea to disregard this valuation.

The next highest guide valuation is £1,550 but Covea have valued Mr K's vehicle, before deductions, at £1,425. So, I've considered whether the evidence it has provided demonstrates it's reasonable for it to place a valuation on Mr K's vehicle lower than the market guide valuation.

Covea have provided examples of three vehicles for sale, which are the same make, model, age and specification as Mr K's. One of these vehicles was priced at £1,250 and had a lower mileage than Mr K's. Another was priced at £999, but had a higher mileage than Mr K's. The final vehicle was priced at £1,600, but again, had a significantly lower mileage than Mr K's. I think these market examples support that £1,425, before deductions, is a reasonable valuation of Mr K's vehicle.

Our investigator has said Mr K's vehicle is a common one and so he would expect to see more examples of vehicles for sale if Covea were seeking to rely on this. Whilst I agree Mr K's vehicle is a relatively common one, Mr K's vehicle was several years old, and had done considerably over 100,000 miles. And so, I think the number of vehicles for sale similar to Mr K's is limited. With that said, I find the three examples Covea have provided to be persuasive evidence of the reasonable value of Mr K's vehicle.

So, taking into consideration the available evidence I think it was reasonable for

Covea to conclude Mr K's vehicle, before any deductions were made, had a market value of £1,425.

Deductions to the settlement

Covea have said Mr K's vehicle had pre-existing damage and was a previous total loss and so it has made a deduction of £584 to the value of Mr K's vehicle. Mr K has acknowledged his vehicle had some very slight damage prior to the accident, but thinks the deduction Covea have made is unreasonable. So, I've considered whether the deduction Covea have made is reasonable in the circumstances.

Covea have said Mr K's vehicle has damage to the front bumper and is missing a mirror cover. Based on the images of Mr K's vehicle, I'm satisfied this is the case. I think the damage goes beyond what is considered reasonable wear and tear for a vehicle the age of Mr K's, and think it's likely this would impact the market value of the vehicle. Therefore, I think it's reasonable for Covea to make a deduction for this pre-existing damage.

Covea have provided an estimate of the cost to repair these items, and divided this by two to determine a reasonable deduction. I think this approach is reasonable to estimate the impact this pre-existing damage is likely to have on the value of Mr K's vehicle.

Covea have made a small deduction of £50 as it has said Mr K's vehicle was a previous total loss. Whilst I acknowledge a vehicle having been a previous total loss can impact the value of the vehicle, I'm not persuaded Covea have provided persuasive evidence of how it has reached a deduction of £50 for this. However, I've also taken into consideration the images show the interior of Mr K's vehicle to be in a poor condition, and Covea have said it had been advised it wasn't possible to open the driver's side door. I think it's likely this would impact the value of Mr K's vehicle by more than £50, and this hasn't been included within the deductions Covea have made.

So, based on the evidence provided I think the overall deduction of £584 Covea have made from the value of Mr K's vehicle is reasonable in the circumstances.

Excess deduction

Mr K has said the accident wasn't his fault and so it isn't reasonable for his excess to be deducted from the settlement Covea have offered.

Mr K's policy schedule shows he has a compulsory excess of £150 and a voluntary excess of £250, meaning he has a total excess of £400. The terms of the policy explain that Mr K must pay the excess toward any claim. And so, under the terms of Mr K's policy, Mr K is liable to pay his policy excess of £400 regardless of who is at fault for an accident.

If the third-party insurer accepts liability, then Mr K would be entitled to reclaim his policy excess from the third party. However, at the point Covea offered Mr K a settlement, liability hadn't yet been established. And so, I think it was reasonable for Covea to deduct Mr K's excess from the settlement it offered to him.

I know this will be disappointing to Mr K, but for the reasons I've explained, I think Covea have acted reasonably in the way it has sought to settle Mr K's claim.'

Neither party responded to my provisional 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.

As neither party have provided me with anything further to think about, I see no reason to reach a different outcome to the one I reached previously. So, I don't uphold this complaint for the reasons I've set out in my provisional decision.

My final decision

For the reasons I've outlined above, I don't uphold Mr K's complaint about Covea Insurance plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 29 July 2025.

Andrew Clarke
Ombudsman