

The complaint

Mrs M complains about the amount Tradex Insurance Company PLC (Tradex) have paid to settle a claim she made under her motor insurance policy.

What happened

The details of this complaint will be well known to both parties and so I've summarised events. In September 2024 Mrs M was unfortunately involved in a car accident and so submitted a claim under her motor insurance policy. Tradex declared Mrs M's vehicle a total loss and said it would settle the claim by paying Mrs M the vehicle's market value. It valued the vehicle at £15,474. Mrs M didn't agree with the value Tradex had placed on her vehicle and so raised a complaint.

On 17 October 2024 Tradex issued Mrs M with a final response to her complaint. It said it had used three market valuation guides and its engineer had valued Mrs M's vehicle at £15,474. It said it wouldn't agree to increase the valuation it had placed on Mrs M's vehicle. Mrs M referred her complaint to this Service.

Our investigator looked into things. He said he had consulted four market valuation guides which all produced valuations close together and the valuation Tradex had placed on Mrs M's vehicle was within the range of these guides. He said he thought the valuation Tradex had placed on Mrs M's vehicle was reasonable in the circumstances.

Mrs M didn't agree with our investigator. She said she didn't think the vehicle advertisements she had provided had been appropriately taken into consideration.

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

'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 Mrs M's policy say Tradex will pay Mrs M 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.

Tradex assessed the value of Mrs M's vehicle by using three valuation guides which produced valuations of £15,345, £15,430 and £15,647 respectively. It has then valued Mrs M's vehicle as an average of these three guides. I can see it did also

consult a further valuation guide which produced a valuation of £15,670.

Having reviewed all of the available evidence, I don't think the valuation Tradex have placed on Mrs M's vehicle is a reasonable one and I'll explain why.

The terms of Mrs M's policy require Tradex to place a value on Mrs M's vehicle which will allow her to replace it with another of the same make, specification, model and mileage. Both Tradex and Mrs M have provided examples of vehicles for sale similar to Mrs M's in terms of its make, model, specification and mileage. Excluding the adverts for vehicles with a slightly newer registration than Mrs M's vehicle leaves eight examples which I consider to be comparable to Mrs M's vehicle. Of these examples, only one is priced lower than the value Tradex have placed on Mrs M's vehicle. Given Mrs M's vehicle is a common one, I don't think this one example demonstrates Mrs M is able to replace her vehicle for the value Tradex have placed on it. So, I don't think Tradex have valued Mrs M's vehicle fairly.

As I don't think Tradex have valued Mrs M's vehicle fairly, I've considered what value Tradex should have placed on Mrs M's vehicle based on the evidence available to it.

As mentioned some of the sales adverts provided by Tradex and Mrs M are for vehicles with a slightly newer registration than Mrs M's and so I think it's reasonable for these to be excluded when deciding a fair valuation. The average advertised sales price of the remaining vehicles is £15,891.25. As some of these vehicles have a slightly higher mileage than Mrs M's vehicle, and some have a slightly lower mileage, I think it's reasonable for the average sales price of these vehicles to be considered as a reasonable valuation for Mrs M's vehicle.

Tradex have said the screen prices aren't actual sales prices and are typically open for negotiation with reductions of around 5% being standard industry practice. I've not seen persuasive evidence this is the case, and I think vehicles tend to sell at their advertised price.

Therefore, based on all of the evidence provided, I think Tradex should value Mrs M's vehicle at £15,891.25. It should pay Mrs M an additional settlement of £417.25. It should also pay 8% per year simple interest on this amount calculated from the date it initially paid Mrs M the settlement to the date it pays the additional settlement due.'

Mrs M didn't respond to my provisional decision but Tradex disagreed with it. It said the motor trade valuation guides were more accurate than vehicles advertised for sale. It said seller's websites or local dealer's vehicles are often advertised at inflated prices and it isn't reasonable to require it to disregard the market guide valuations.

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 reached the same outcome as the one set out in my provisional decision for the same reasons set out previously.

Based on the terms of Mrs M's policy, the market value Tradex are required to place on Mrs M's vehicle should be the cost of replacing it with another of the same make, specification, model, age, mileage and condition as the vehicle immediately before the loss.

I think it's reasonable for Tradex to take into consideration the valuations produced by the

valuation guides when deciding the market value of Mrs M's vehicle, and I'm not suggesting that this should be disregarded. However I think it also needs to take into consideration all of the available evidence when deciding a reasonable market value for Mrs M's vehicle.

Tradex have used the market valuation guides and valued Mrs M's vehicle at £15,474. However I don't think it has appropriately taken into consideration the eight market examples both it and Mrs M have found, of which only one shows a vehicle for sale for less than the value it has placed on Mrs M's vehicle. I don't think this one example demonstrates Mrs M is able to replace her vehicle for the amount Tradex have valued it at.

I think if the valuation Tradex placed on Mrs M's vehicle was a reasonable one, it would be able to demonstrate Mrs M is able to replace her vehicle for this amount. I'm not persuaded it has been able to do so here. And so, based on the evidence provided, I don't think the value Tradex have placed on Mrs M's vehicle is a fair one.

Therefore, I think the average advertised sales prices of the market examples provided by both Tradex and Mrs M is a more reasonable valuation of Mrs M's vehicle. The average price of these market examples is £15,891.25 and so I require Tradex to pay Mrs M an additional settlement of £417.25. It should also pay Mrs M 8% per year simple interest on this amount calculated from the date it originally paid Mrs M the settlement to the date it pays the additional settlement due.

My final decision

For the reasons I've outlined above I uphold Mrs M's complaint about Tradex Insurance Company PLC. I require it to:

- Pay Mrs M an additional settlement of £417.25
- *Pay 8% per year simple interest on this amount calculated from the date it initially paid Mrs M the settlement for her vehicle to the date it pays the additional settlement due.

*If Tradex Insurance Company PLC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs M how much it's taken off. It should also give Mrs M 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 Mrs M to accept or reject my decision before 30 July 2025.

Andrew Clarke
Ombudsman