

The complaint

Mr P complains about the settlement that Tesco Underwriting Limited paid him following the loss of his car.

What happened

Tesco declared Mr P's car to be a total loss following an incident with a lorry. It paid Mr P £14,074.51 in settlement of his claim. It said this was the car's pre-loss market value. Mr P was unhappy that this settlement didn't cover the finance for his car, that he still had to pay his premiums, and he incurred other travel costs as he couldn't afford to replace his car.

Our Investigator didn't recommend that the complaint should be upheld. She thought Tesco's settlement offer was fair and reasonable as it was made in keeping with our approach and supported by adverts for similar cars. She thought Mr P should complain to Tesco if he was unhappy about paying his premiums when he no longer had the car. But she didn't think Tesco needed to do anything further.

Mr P asked for an Ombudsman's review, so his complaint has come to me for 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.

I can understand that Mr P wants a fair settlement for the loss of his car. And I was sorry to hear that the claim has led to financial consequences for him, especially as he says that he wasn't at fault. I can understand that he feels this to be unfair.

Mr P's policy provides for the car's market value in the case of its total loss. I can see that this is defined on page 13 of the policy booklet as:

"The cost of replacing... the car with one of the same or similar make, model and specification, taking into account the age, mileage and condition to determine the market value. We usually ask an engineer for advice and refer to motor trade guides and other relevant sources. We consider the amount you could reasonably have obtained if you sold the car immediately before the accident, loss or theft and not the price you paid for it."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor guides most persuasive. These guides are based on extensive

nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought Tesco's settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr P's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

Tesco had provided a valuation of £14,074.51, before deducting the £300 policy excess, which was at the higher end of the valuations provided by the guides and allowed for the car's lower than average mileage. Tesco provided adverts for similar cars advertised at prices lower than its offer to Mr P. And I think two of these were close enough to Mr P's car to be persuasive.

So I think Tesco's evidence shows that Mr P could replace his car for its settlement offer. And so I'm persuaded that Tesco's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this offer.

In keeping with the policy's terms and conditions, Tesco paid the settlement to the finance company Mr P had out taken an agreement with to buy the car. Mr P was unhappy that the offer didn't completely cover the finance he owed for the car.

But Tesco is required by the policy's terms and conditions to pay the car's market value. It isn't responsible for Mr P's financial arrangements. This uninsured loss may be covered by Mr P's GAP insurance, or he may be able to recover it from the other driver's insurer if the incident was settled as a fault against that driver.

Mr P's incident had occurred just one month into his policy, so he was unhappy that Tesco continued to take premiums even though he no longer had the car. He said Tesco has now passed the outstanding amount for his year's cover to a collections agency. But, as our Investigator explained, Mr P would have to complain to Tesco first to give it a chance to respond before we can consider this concern.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 October 2025.

Phillip Berechree
Ombudsman