

The complaint

Miss T complains Aviva Insurance Limited (Aviva) unfairly settled her claim on her motor insurance policy after her car was classed as a total loss.

What happened

Miss T made a claim on her motor insurance policy after her car was damaged in an incident with a third-party.

Aviva's engineer inspected the car, and it was deemed beyond economical repair and therefore was classed as a total loss. Aviva made Miss T a settlement offer of £7,227 less the policy excess.

Miss T was not happy with the settlement amount. She felt her car was worth a lot more than Aviva's settlement offer.

Because Miss T was not happy with Aviva, she brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said Aviva should increase its settlement offer to £8,522 which was the highest of the four valuations they had obtained. Plus 8% interest on the difference. They said it should also pay £150 compensation for the distress caused to Miss T by offering an unfair market value.

As Miss T is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

In this case I have considered whether Aviva acted fairly and reasonably in reaching its decision as to the level of settlement offered to Miss T following the write-off of her car.

My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I firstly looked at the details within Miss T's motor insurance policy with Aviva. In the terms and conditions of the policy. It says;

"Market value - The cost of replacing your car with one of the same make. model. specification. year, mileage and condition. The market value. determined at the time of loss or damage. may also be affected by other factors such as MOT status (if one is required). how you purchased your car and whether it has been previously declared a total loss."

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair

and reasonable and in line with the terms and conditions of the policy. We use valuation guides to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor valuation guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

Prices of used cars can change on a regular basis. This could be an increase or decrease. This is the reason why we take the approach that if Aviva can demonstrate, that it used a fair process to value the car then we wouldn't interfere with the offer it has made.

I understand Miss T thinks the valuation should be around £10,000 to £11,000 as the car included some extras. No detail or evidence was provided to support the additional extras so nothing was added to the valuations obtained by our investigator. She also said around £2,000 had been spent on the car recently. Although I recognise Miss T has looked after her car and paid out for new parts, this appears to be for repairs or general maintenance, and therefore it is unlikely it would've added any value.

I looked at the information Aviva used when calculating the market value for Miss T's car. It provided an engineer's report in which I saw one valuation was obtained from a main valuation guide. It said it found no comparable examples of cars for sale. In this case Aviva offered £7,227 which is the amount of the valuation guide it used.

I looked at the valuations our investigator obtained. They used four of the main valuation guides, of which one was the same as used by Aviva. The highest of these four valuations was £8,522 and the lowest was £6,647. They said Aviva should pay the highest valuation of £8,522.

Based on the valuations our investigator obtained, I do not think the settlement amount paid for Miss T's car is fair in this case. Aviva haven't provided any additional evidence to support a lower valuation. The valuations have shown a range of values and I think going by the highest will ensure Miss T has received a fair offer, allowing her to replace her car with one of a similar make, model and specification.

Miss T said she had outstanding finance on the car and whilst the claim remained outstanding it was incurring interest charges. She said if the claim had been paid she would have a certain amount of interest written off. The finance arrangement is between Miss T and the finance provider. It is separate to the motor insurance cover provided and I cannot ask Aviva to contribute towards any finance costs incurred.

Our service thinks it's good practice for insurers to offer an interim payment when a consumer disputes the valuation placed on their vehicle. We don't think it's fair that an insurer withholds any payment of a claim based solely on the consumer disputing the amount, because it has already accepted there's a valid claim. We'd expect an insurer to let the consumer know they have a right to dispute the valuation but to pay them an interim payment, while that dispute is taking place.

In this case I saw Aviva made its settlement offer to Miss T In January 2025, of which she disputed, but it didn't pay the disputed settlement until mid-March 2025 after it had reviewed her complaint. It then settled the outstanding finance and the remaining balance was paid to Miss T. I require it to pay a total of £150 compensation for the distress and inconvenience caused due to this delay.

Therefore, I uphold Miss T's complaint.

Putting things right

I require Aviva to increase its settlement offer to the highest valuation of £8,522. This means an amount of £1,295 must be paid. It should also add 8% simple interest to this amount from the date the initial settlement amount was paid to the date of final settlement. I also require it to pay £150 compensation.

final decision

For the reasons I have given I uphold this complaint.

I require Aviva Insurance Limited to increase the total loss settlement offer for Miss T's car to £8,522. This means an additional amount of £1,295 must be paid. It should pay 8% simple interest on this amount from the date the initial settlement was paid to the date of final settlement. I also require it to pay £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 1 October 2025.

Sally-Ann Harding
Ombudsman