

The complaint

Mr A complained about the settlement Aviva Insurance Limited ("Aviva") offered him after his car was written off in an accident, under his motor insurance policy.

What happened

Mr A was involved in a car accident in October 2024. He contacted Aviva to make a claim, which it accepted. His car was determined to be a total loss. Aviva offered Mr A £7,700 in settlement. He didn't think this was fair as he said he couldn't buy a replacement for this amount. Aviva didn't increase its offer, so Mr A complained.

In its final complaint response Aviva told Mr A that it had reviewed its offer but maintained that it was fair.

Mr A referred his complaint to our service. Aviva then increased its offer to £9,639. We put this to Mr A, but he didn't accept and asked our service to investigate his complaint. One of our investigators looked into this for him. She upheld his complaint and said Aviva should pay a total of £10,292 plus 8% simple interest, on the unpaid amount, from the date of the first offer until the full amount is paid.

Aviva didn't accept our investigator's findings. It said it had shown that its higher offer was fair based on similar vehicles offered for sale when adjusted for mileage. Our investigator didn't change her mind. So, Aviva asked for an ombudsman to consider the matter.

It has been passed to me to decide.

I issued a provisional decision in July 2025 explaining that I was intending to uphold Mr A's complaint. Here's what I said:

provisional findings

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 my intention is to uphold Mr A's complaint. Let me explain.

Mr A's policy pays the market value in the event of a total loss due to accident damage. This is defined as:

"The cost of replacing your vehicle; with one of a similar make, model, year, mileage and condition based on market prices immediately before the loss happened. Use of the term 'market' refers to where your vehicle was purchased. This value is based on research from industry recognised motor trade guides."

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

Our investigator obtained valuations from the four trade guides we use. I've checked that she used the correct make, model, and year for Mr A's car. I also checked that the right mileage and loss date were used in the valuations. The information used was correct. The valuations we obtained ranged from £7,725 up to £10,533.

Our starting point for a fair settlement payment is to look at the highest of the trade guide valuations. We think this will give the best opportunity for the customer to be able to replace their car with a similar model. If the insurer decides to pay a lesser amount, we need it to show why this is a fair and reasonable settlement. And if the customer thinks this is too low, again we need to see evidence to support this.

Aviva provided two adverts showing similar vehicles for sale. One is slightly older with around 2,500 more miles. This was advertised for £9,645. The other is slightly newer, but with around 6,000 more miles on the odometer. This was advertised for £10,000.

I've thought carefully about whether this demonstrates Aviva's offer for £9,639 was fair. But I don't think it does. I say this because both advertisements show cars that have covered more miles. I think the difference in mileage reasonably accounts for the price difference compared with the higher of the trade guide valuations. I don't think these examples justify the lower settlement Aviva has offered.

In support of its settlement offer Aviva says it used the closest five adverts it found to Mr A's vehicle. It then amended the mileage on the advertised vehicles to match Mr A's car using an online adjustment tool provided by one of the trade guides. I've seen the values this provided. They range from £8,595 to £10,164. I acknowledge Aviva's comment that this is an accepted process within motor engineering and the used car marketplace. But as I explained, our service looks at four of the main trade guides when considering whether an insurer's valuation is fair and reasonable. Although I acknowledge what it says, Aviva has relied on one trade guide to produce the figures it has provided. This doesn't persuade me that its settlement offer is fair.

Having considered all of this I think it's fair for Aviva to base its settlement on the highest trade guide valuation.

That said, the business has provided evidence to show pre-existing damage to a bumper on Mr A's car. It's reasonable to accept that this damage will negatively impact on the car's value. So, it's reasonable for Aviva to make a deduction for this. The records show the repairs for this damage were estimated to cost £481. The general approach we take is that any repair estimate should be reduced by half in these circumstances. If the car was new, or nearly new I might think it was fair for the full cost of the repairs to be deducted. But Mr A's car was approaching ten years old. So, I think deducting £240.50 from the valuation, leaving £10,292.50 as the final settlement payment is fair in these circumstances.

I've thought about the impact all of this had on Mr A. His accident occurred at the beginning of October 2024. He accepted an interim offer from Aviva for £7,700, but as discussed, I don't think this was a fair amount. Mr A said this wasn't sufficient to allow him to buy a similar replacement. I note what he says about this causing difficulty in his everyday life, which I find understandable. Given the inconvenience and distress this caused Mr A, I think it's reasonable that Aviva pays him £200 compensation.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr A responded to say that he accepted my provisional findings.

Aviva didn't respond with any further comments or evidence for me to consider.

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 has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint. Aviva Insurance Limited should:

- pay Mr A a total of £10,292.50 to settle his claim;
- pay Mr A 8% simple interest* calculated from the date the first settlement was offered until this payment is made in full; and
- pay Mr A £200 compensation for the inconvenience and distress it caused.

*If Aviva considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A how much it's taken off. It should also give him a tax deduction certificate 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 A to accept or reject my decision before 4 September 2025.

Mike Waldron
Ombudsman