

The complaint

Mr L complained that the settlement payment Aviva Insurance Limited (“Aviva”) offered him was unfair, following the total loss of his car under his motor insurance policy.

What happened

Mr L was involved in a car accident. He contacted Aviva to make a claim, which it accepted. His car was deemed a total loss due to the extent of the damage that was caused. Aviva offered him £2,413 to settle his claim. Mr L thought this was too low. Aviva then increased its offer to £3,093. Mr L still thought this was still too low. He said its offer should allow him to buy a like-for-like car in his local area. Aviva didn’t increase its offer, so Mr L complained.

In its final complaint response Aviva told Mr L that it thought its settlement offer was fair. It said it had referred the matter to a senior manager. But it didn’t accept there was justification to increase its offer.

Mr L didn’t think Aviva had treated him fairly and referred the matter to our service. Our investigator upheld his complaint. He said Aviva should pay the highest of the trade guide valuations, which was £3,659, to settle Mr L’s claim. In addition, it should pay 8% simple interest on the delayed part of this payment.

Aviva didn’t accept our investigator’s findings. It maintained that the settlement it had offered was fair and asked for an ombudsman to consider the complaint.

It has been passed to me to decide.

I issued a provisional decision in July 2025 explaining that I was intending to uphold Mr L’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 L’s complaint. Let me explain.
Mr L’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 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.”

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.

I can see Aviva obtained valuations from three of the trade guides we use. I've checked that it used the correct make, model and age for Mr L's car. Also, that it used the correct mileage and date for his loss, which it did. The valuations Aviva obtained were spread between £2,950 and £3,659.

Our investigator obtained valuations from these same three guides plus one more that we use. Again, I've checked that he used the correct details when obtaining this information, which he did. The valuations were between £2,860 and £3,483. When using the trade guides, the valuations provided can vary dependent on when the report was run. In these circumstances I'll refer to the valuations Aviva used, so as not to disadvantage Mr L.

There's a variance between the lowest and highest of the valuations Aviva obtained. The approach we take here is to use the highest valuation as a starting point. We then consider any evidence provided by the parties to see if this supports a different valuation.

I've looked at the examples Aviva provided showing similar cars for sale to see if this supports its settlement offer for £3,093. Most of the cars advertised have covered significantly more miles than Mr L's car. I don't think these are reasonably comparable. The closest two examples to Mr L's car had covered between 4,000 and 7,000 more miles. These were offered for sale at £3,699 and £3,290 respectively. So, one was offered for sale at a higher price than the highest trade guide valuation and one was offered for less. I'm not persuaded that this evidence reasonably shows the higher trade valuation is unfair.

I've also looked at the adverts Mr L provided. These cars range in age and mileage. I note Mr L's comments that it was difficult to find a like-for-like car. I've discounted the newer vehicles and those with significantly different mileages. This leaves one advert showing a car with the same mileage as Mr L's car. This is two years older and advertised for £3,750. Having considered the information provided I don't find this persuasive to support a different valuation than that provided by the highest trade guide.

I acknowledge Aviva's comments that comparable vehicles were difficult to find. It said it had used the closest matches and then adjusted the figures to acknowledge the variance between these examples and Mr L's car. I understand Aviva's point and that it considers this a reasonable and accepted way of valuing vehicles. But as explained this isn't aligned with the approach used by our service. We'd expect to see evidence of closely comparable vehicles advertised at a lower price to support a settlement offer that is lower than the highest trade guide valuation. This hasn't been provided.

Having considered the evidence I agree with our investigator that Aviva's offer wasn't fair and reasonable. To put this right it should pay Mr L a total of £3,659 including 8% simple interest on the unpaid amount from the date of the first settlement offer until this is paid in full.

I've also considered the impact all of this had on Mr L. He was involved in an accident, which is distressing and causes inconvenience. This was made worse by Aviva offering Mr L an unfair settlement payment. In these circumstances I think it's reasonable that the business acknowledges the inconvenience it caused Mr L by paying him £150 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 L 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:

- settle Mr L's claim by paying a total of £3,659 plus 8% simple interest* on the outstanding amount from the date of its first offer until payment is made in full; and
- pay Mr L £150 compensation for the inconvenience it caused him.

*If Aviva considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L 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 L to accept or reject my decision before 4 September 2025.

Mike Waldron
Ombudsman