

The complaint

Mr R complains that UK Insurance Limited ('UKI') – trading as Churchill Insurance – offered him an unfair settlement under a motor insurance policy.

What happened

Mr R had a UKI motor insurance policy. In March 2025, he made a claim on his policy after his car was damaged in an accident. UKI declared the car a total loss, valued the car at £4,992, and paid Mr R this (less the £500 policy excess) to settle the claim.

Mr R didn't accept this and brought his complaint to this service. He explained the car's good condition and how well he'd looked after it. He said the cheapest replacement he could find advertised was over £1,400 more than UKI's settlement. He thinks UKI should pay a sum that would help him get the same car.

Our investigator recommended that the complaint should be upheld. He found four valuations based on the same make, model, year, and mileage as Mr R's car. The highest of these was £6,070. He thought this was a fair market value for the car and recommended that UKI pay Mr R the difference between this and its original valuation, plus interest.

UKI didn't accept this, so the case was passed to me to make 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.

First, I understand Mr R was injured in the accident and suffered shock. He has my best wishes and I hope he's doing ok.

The policy says if UKI can't repair Mr R's car, it must pay him its market value. It defines market value as: "*The cost of replacing your car with another of the same make and model, and of a similar age, mileage, and condition at the time of the accident or loss.*"

When we look at complaints about valuations, we check the relevant valuation guides and consider whether the insurer has made a reasonable offer in line with them. These guide values are based on nationwide research of selling prices. Adverts are another way of checking how much it might cost a customer to buy a replacement vehicle, however these can sometimes be misleading as sale prices are often lower than the advertised price after negotiations between buyer and seller.

UKI sent us the guide values it used for Mr R's car. These were: £4,282, £6,070, £5,267, and £4,717. It calculated the market value for the car as the average of the last two of these valuations. It assessed this against three adverts from a well-known motor publication and sales platform. It says two of the three adverts support its valuation. It told us it could only find three adverts because Mr R's car was 15 years old car and rare. Finally, it told us that its engineer reviewed the valuation "*and felt an increase was not justified.*"

Our investigator found the following valuations based on a similar make, model, mileage, and condition of Mr R's car at the time of loss: £4,332, £6,070, £5,267, and £4,717. With one minor difference¹, these are the same valuations found by UKI. Our investigator thought a fair market value would be the highest of these. He didn't think UKI had provided sufficient evidence to show that Mr R could replace his car for less than this.

UKI believed the highest and lowest valuations were outliers, so it used the average of the middle two. I think the range of values – almost £2,000 between the highest and lowest, or a third of the highest value – shows how difficult it is to accurately value the car. I also note that the average of all four valuations is only £160 more than the average of the middle two. So I'm not persuaded it's fair to dismiss two of these valuations as outliers.

I've looked at the three adverts UKI used to support its position. The two from the same year as Mr R's car are more expensive than its settlement, although I recognise they both have significantly lower mileages. I understand what UKI has told us about the 'price position' when comparing advertised prices against guide valuations. However, I'm not persuaded that two out of three adverts is a strong enough argument for settling so far below the highest guide. And I'm not persuaded it's shown that Mr R can buy a suitable replacement for the amount it settled at.

Mr R provided five adverts to support his position, but again all have significantly lower mileage than his car. That's understandable given the age and mileage of his car and I mean no criticism by pointing this out.

Having considered the evidence, I'm not persuaded that either party has shown that a valuation in line with the highest of the guides is unreasonable.

Putting things right

I think UKI should increase its settlement to £6,070. It should pay Mr R the difference between this sum and its original valuation, plus interest.

My final decision

My final decision is that I uphold this complaint and order UKI Insurance (Gibraltar) Limited to:

- Pay Mr R the difference between £6,070 and its original valuation of £4,992.
- Add interest to this sum at 8% simple per year from the original settlement in March 2025 to the date it pays the amount above.

*If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr R how much it's taken off. It should also give Mr R a certificate showing this 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 R to accept or reject my decision before 14 October 2025.

Simon Begley
Ombudsman

¹ This is a £50 adjustment for the extras Mr R listed in his car; the other guides already take these extras into account.