DRN-5775021

The complaint

Mr G complains that 1st Central Underwriting Limited offered an unfair settlement under a motor insurance policy.

What happened

Mr G had a 1st Central motor insurance policy. In September 2024, he made a claim on his policy after his car was stolen. Following this service's involvement, 1st Central agreed to settle the claim. It calculated the car's market value at £14,020, and offered this as settlement to Mr G, less deductions for the policy excess and the outstanding premium.

Mr G didn't accept this. He said the valuation was considerably lower than he'd expect and didn't include the factory extras on the car. He asked this service to make a ruling.

Our investigator recommended that the complaint should be upheld. She found four valuations based on the same make, model, year, and mileage as Mr G's vehicle. The highest of these was £14,767. She thought this was a fair market value for the car and recommended that 1st Central pay Mr G the difference between this and its original valuation, plus interest.

1st Central 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.

The policy says if 1st Central doesn't repair Mr G's car, it must pay him its market value. The policy booklet defines market value as: "*The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss. This may not be the same price you originally paid for your car or the value you declared on the Statement of Fact*."

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. As Mr G says, 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.

1st Central showed us the guides it used to value Mr G's vehicle. These gave values of £13,563, £14,020 and £13,494. It offered the highest of these, less the policy excess and Mr G's outstanding premium.

It also sent us three adverts which it says supports this valuation. These were for cars of the same make and model as Mr G's and were advertised at £12,975, £13,380, and £13,995. 1st Central noted that Mr G declared the car's value as £13,530 when he took out the policy, and its valuation was higher than this.

Our investigator found the following valuations based on a similar make, model, mileage, and condition of Mr G's vehicle at the time of loss: £13,563, £14,020, £14,767, and £13,494. I'd like to assure Mr G that all valuations are assessed as at September 2024. I'm also satisfied that the car's specifications were taken into account but, as our investigator explained, the extras often won't make a significant difference to the car's value.

Our investigator found the same three valuations used by 1st Central, plus one other. She thought a fair market value would be the highest of these.

1st Central says the additional guide used by our investigator "*is not a strong measure of valuation*" because it's a sales platform. I disagree. We're satisfied that it's a valid guide and a good resource. I don't think 1st Central's reference to Mr G's estimate of the car's value is entirely relevant. First, the policy definition says the market value may not be the declared value. Second, if the position was reversed and Mr G declared a value of, say, £15,000, I think it's unlikely 1st Central would have used this to support a higher settlement.

Mr G also provided adverts to support his position. These were for £17,799, £18,995, £15,950, £15,700, and £17,799. I don't think two of these adverts are a reasonable like-for-like comparison, so I've set them aside. But I think the range of prices listed in the adverts – including those provided by 1st Central – show the difficulty in using them to assess market value.

Having considered the evidence, I'm not persuaded that a valuation in line with the highest of the trade guides is inappropriate. I think 1st Central should increase its valuation to £14,767, and pay Mr G the difference between this and its original valuation, plus interest.

For the avoidance of doubt, I think the deductions 1st Central applied were fair. These were:

- £1,050 policy excess. These excesses are set out in the policy schedule and page 59 of the policy booklet, and are cumulative. They are:
    - Standard excess £150
    - Voluntary excess £500
    - Endorsement 1 (E) £150
    - Endorsement 2 (garage excess) £250
- £775.73 outstanding annual premium. This part of his premium had been refunded to Mr G when he cancelled the policy. But, as 1st Central said, he effectively 'used' his policy when it agreed to settle the claim so he needs to pay the full annual premium. This is in line with page 56 of the policy terms: "*If any of the following apply, you may not receive any refund and you may still have to pay the balance of the full yearly premium… You have made a claim in the policy year…*"

Finally, towards the end of our investigation Mr G told us there were personal items in the car that 1st Central hadn't paid out in his claim. He should submit his claim for these items to 1st Central. I'd expect 1st Central to assess this under the relevant policy terms.

My final decision

My final decision is that I uphold this complaint and order 1st Central Underwriting Limited to:

- Pay Mr G the difference between £14,767 and its original valuation.

- Add interest to this sum at 8% simple per year from the settlement in April 2025 to the date it pays this.

*If 1st Central considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G 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 G to accept or reject my decision before 24 October 2025.

Simon Begley
Ombudsman