

The complaint

Mr R complains about the settlement that esure Insurance Limited offered him following the total loss of his car. He wants it to pay him a settlement of £12,500.

What happened

Mr R's car was damaged and declared to be a total loss. esure offered Mr R £10,171 less the policy excess in settlement of his claim. But Mr R thought his car was worth more due to its specification and rarity. He said esure agreed to discuss this with him, but it didn't. And the car was sold at auction without alerting Mr R so that he could buy it back. esure agreed that its communication had been poor and it paid Mr R £200 compensation for the trouble and upset this caused. But it declined to increase the settlement.

Our Investigator recommended that the complaint should be upheld. He thought esure's settlement wasn't made in keeping with our approach as it hadn't justified its decision to pay less than the highest valuation provided by the motor guides we use. He thought it should increase the settlement to £10,495 and pay Mr R the difference with interest. He thought esure's communication had been poor, but he thought its offer of compensation for this was fair and reasonable.

esure replied that it thought its settlement was a fair offer as it was an average of the guide valuations, and it thought this reflected the car's market value. esure asked for an Ombudsman's review, so the complaint has come to me for 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.

I can understand that Mr R wants a fair settlement for the loss of his car. Mr R's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet as:

"Market value: The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides including: Glass's, Parkers, Cazana and CAP. This may not be the price you paid when you purchased the car."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought esure's settlement offer wasn't fair and reasonable. So I've checked how he came to this conclusion. I can see that he looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr R's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

esure had provided a valuation of £10,171, which was less than highest of the valuations provided by the guides. To be satisfied that esure's valuation represents a fair amount, our service expects to be provided with other evidence (for example, adverts for cars for sale around the time of the loss or reports from experts etc.) to support that a lower valuation is appropriate. And I'd need to be satisfied that this evidence is relevant and persuasive (and more persuasive than any evidence provided by Mr R) before accepting that a lower valuation is fair.

esure hasn't provided evidence to show that Mr R could replace his car for this amount. And so I'm not persuaded that esure's offer was fair and reasonable as it wasn't made in keeping with our approach and the policy's terms and conditions. And so I require it to increase this to the highest valuation in the guides, £10,495. And, because Mr R has been without his money for some time, it should reasonably add interest to the further settlement.

esure agreed that its level of service to Mr R had been poor. It led him to expect that its engineers would review the valuation of his car when it had already referred the case to its agent. It didn't warn Mr R that the car was to be auctioned so that he had an opportunity to buy back the salvage. esure paid Mr R £200 compensation for this trouble and upset. And I'm satisfied that this was fair and reasonable as it is in keeping with our published guidance for the impact of its errors.

Putting things right

I require esure Insurance Limited to increase its valuation of Mr R's car to £10,495 and to pay him the difference between this amount and its interim settlement. Interest at the rate of 8% simple per annum should be added to this difference from the date of the interim settlement to the date of payment.

If esure 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 tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require esure Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 December 2025.

Phillip Berechree
Ombudsman