

The complaint

Mr B complains about how Liverpool Victoria Insurance Company Limited (LV) handled a claim made on his motor insurance policy. He wants an increase in compensation for the trouble and upset caused and an increase in the valuation of his car.

What happened

Mr B's car was damaged in an incident and LV took it for repairs. But Mr B said the repairer caused further damage and after four years LV wrote off the car as a total loss. Mr B was unhappy with LV's valuation of his car, with the delays in the claim, that he had to use another car whilst repairs were being made and that his personal property left in the car was lost.

LV offered Mr B £41,920 as his car's pre-loss market value. It agreed he had to return his car for further repairs many times before the car was finally written off and his personal belongings lost. LV reimbursed Mr B for his insurance whilst his car was in the garage. It refunded Mr B two car tax payments. It paid for the loss of his personal belongings. It added interest to the settlement. And it paid Mr B £2,000 compensation for his trouble and upset. But Mr B thought the valuation of his car should be higher and further compensation was warranted.

Our Investigator didn't recommend that the complaint should be upheld. She thought LV's valuation of the car's market value was close to the highest provided by the motor valuation guides we use. She couldn't see any evidence from adverts for comparable cars for sale at that time. And so she thought LV's valuation was fair and reasonable. She thought LV's refunds had restored Mr B's position. And she thought the compensation payment was fair and reasonable for the disruption caused to Mr B's life, his disappointment and loss of expectation.

Mr B replied that LV had made its valuation on a different and inferior model rather than his car. He said LV hadn't provided the highest valuation in the guides but one that was £1,262 lower. He said a dealer had valued his car at £45,000 and LV hadn't justified paying a lower amount. Mr B asked for his complaint to be reviewed, so it's 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 B feels frustrated with how his claim has been handled. And after four years of attempted repairs his car has now been declared a write off.

I can understand that Mr B wants a fair price for the loss of his car. And I can see that Mr B's policy provides for the car's market value in the case of its total loss. The policy defines market value as:

"the cost of replacing your car with one of the same make, model and specification, taking into account the age, mileage and condition of your car. To determine the market value, we'll usually ask an engineer for advice and refer to motor trade guides and other relevant

sources. We'll consider the amount you could reasonably have obtained for your car if you sold it immediately before the accident, loss or theft and not the price you paid for it."

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 LV's settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr B's car at the date of its loss. And she found that one guide provided a valuation of £43,182.

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.

LV had provided a valuation of £41,920. It had found one valuation in the guides we use for a car a year newer than Mr B's car and its engineer had then increased this by 4.15% I think that given the lack of valuations in the guides and adverts for like cars this was a reasonable way of arriving at a fair market value.

The one valuation our Investigator found was higher than that arrived at by LV. But I'm satisfied that the difference of £1,262 is within the tolerance we'd allow in considering a fair value.

Mr B said LV had considered adverts for a different model of car than his. But I can see that LV identified that the engines of these cars were different to Mr B's car. And it didn't consider them in arriving at its valuation.

Mr B said he had been told by a dealer that his car was worth £45,000 but LV hadn't acted to confirm this at the time. I have no reason to doubt Mr B, but I haven't seen that this valuation is based on an advert or an engineer's assessment. So I don't find it to be persuasive evidence for a higher valuation.

LV's valuation was close to the highest produced by the guides. I haven't seen persuasive evidence for a higher or lower valuation. And so I'm persuaded that LV's valuation was fair and reasonable and will allow Mr B to replace his car in keeping with the policy's terms and conditions. I don't require LV to increase this.

LV has accepted that it made substantial errors in handling Mr B's claim. When an insurer makes errors, as I'm satisfied LV has done here, we expect it to restore the consumer's position as far as it's possible to do so, and we expect it to compensate the consumer for the impact of the errors.

As I've said above, LV paid Mr B his car's market value at the time of its loss. And it added interest to this amount at the rate of 8% simple per annum from the date of the incident to

the date the car was declared a total loss. Mr B thought this should have been compound interest, but I disagree as that is outside our approach. LV deducted tax from this interest, but it provided Mr B with a letter so that he could reclaim this back from HMRC if appropriate. I think that was fair and reasonable to compensate Mr B for the loss of his car.

Mr B was without his car for long periods whilst it was being repaired. He incurred costs for insurance and road tax when he was unable to use his car. And I think LV reasonably restored Mr B's position by reimbursing his insurance costs whilst the car was in the garage, the road tax for two years, and the costs of a service.

LV paid Mr B £619.99 for the loss of his personal belongings and Mr B told us that this concern was resolved. So I'll not consider that further here.

LV also considered the impact of its errors on Mr B and it paid him a total of £2,000 compensation for the trouble and upset caused. I can see that Mr B was caused sustained distress over four years when his car had to be repeatedly returned for rectification and further repairs. He was caused inconvenience as he had to use another car and raise his concerns with LV and its agents. And then he suffered a loss of expectation as his car was deemed to be a total loss when he had been told it was repairable.

I think an award of £2,000 is in keeping with our published guidance for the sustained impact of LV's errors over several years causing Mr B distress and inconvenience. And so I think that's fair and reasonable, and I don't require LV to increase this.

In summary, I'm satisfied LV has acted fairly and reasonably to restore Mr B's position, as far as it is possible to do so in his particular circumstances. This is because it valued Mr B's car in line with our approach to vehicle valuations and in line with the terms and conditions of his policy.

And I'm satisfied that LV reasonably compensated Mr B for the distress and inconvenience caused by its handling of his claim. It paid Mr B interest on the valuation offer and refunded him for the insurance and tax he paid whilst he was unable to use his car. LV paid Mr B for his unreturned property, and it awarded him a total of £2000 compensation for the distress and inconvenience its mistakes caused him. So I don't require LV to do anything further.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 December 2025.

Phillip Berechree
Ombudsman