DRN-5849260

The complaint

Mr S complains about the settlement offered by esure Insurance Limited (esure) on a claim he made on a motor insurance policy.

What happened

Mr S insured his car with esure. He made a claim for damage to the car and after assessing the damage, esure said the car should be written off. It offered £6,925 to settle the claim, saying this was a fair market value.

Mr S didn't agree, saying he'd purchased the car a matter of months before, for £8,500. When esure declined to increase the settlement, Mr S referred his complaint to our service. Our investigator thought esure's offer was too low, and that a fair market value would be £8,100. She also said esure should pay £100 compensation to Mr S.

esure didn't accept this, and asked for an ombudsman's decision. On reviewing the information on file, I was of the view that esure's offer was too low, but that a small deduction it had made for pre-existing damage was fair. This meant that a fair settlement would be £8,021. Mr S confirmed he accepted the deduction. esure accepted the deduction should be made but continued to request 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 terms and conditions of Mr S' policy say that in the event of the car being declared a total loss, esure will pay no more than the "market value," which is defined as "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 bought the car."

These types of conditions, and definitions, are common in car insurance policies and I accept it was fair, in the circumstances of the claim, for esure to base its settlement on the market value of Mr S' car. Although he'd purchased it recently, the purchase price of £8,500 is not necessarily the same as the car's market value.

Establishing the market value of cars is not an exact science, but what I need to do is look at the available evidence and consider whether esure's offer of £6,925 was fair.

When it offered this amount, esure took the average of three motor trade guide valuations which calculated a value of £7,004. It then made a deduction of £79 for a small amount of pre-existing damage, to reach a final figure of £6,925.

When it made this assessment, esure also obtained a fourth value from a motor trade guide of £8,100. However, it excluded this amount from the calculation as it believed this was an outlier, based on advertised prices for similar cars.

Our investigator thought the £8,100 valuation should have been included in the assessment, and I agree. I'm not persuaded that it was reasonable to exclude that figure from the assessment. While esure provided adverts showing a range of prices for similar vehicles, the ages and mileages of those adverts are over a wide range, as opposed to adverts provided by Mr S showing cars with a mileage more similar to his with prices between £8,500 and £11,495.

This means I agree that the guide price of £8,100 should reasonably have been included when assessing the market value, rather than excluded as an outlier. In addition, esure's offer was based on an average of three motor guide values. Our general approach to these types of complaints, where there's a dispute over the market value of a car, is to say that the highest valuation given by the motor trade guides should be used as a starting point (once any obvious outliers have been excluded), unless there are particular reasons to believe the trade guides aren't representative of the market. In this case, while there are adverts for cars of a similar age and mileage which have higher prices than £8,100, those are advertised, rather than selling prices. The trade guides are based on data from selling prices, so I think the £8,100 value is representative of a fair market value for Mr S' car.

That means that the starting point for a fair offer here would be £8,100. However, esure would be entitled to make a deduction for the pre-existing damage. The photos of Mr S' car show non-accident related damage to a bumper and Mr S acknowledges that was present before the claim. He also accepts the £79 deduction proposed by esure is fair, and I agree. It's a small amount but it's reasonable to make a deduction for damage which was present before the claim and would have affected the value of the car.

That means that a fair settlement offer here would have been £8,021, so esure should pay Mr S an additional £1,096. That is the difference between its original settlement and the fair market value. esure also needs to pay 8% simple interest on this additional amount from the date of the original settlement to the date of final settlement. This is in line with our approach where an insurer has paid an inadequate amount in settlement of a claim and reflects that Mr S should have had those funds as part of the original settlement. Finally, esure should pay Mr S £100 compensation to recognise the inconvenience caused to him by making a settlement offer that was too low, meaning he had to carry out his own research into the value of the car, and the frustration caused by being provided an inadequate initial value.

My final decision

I uphold Mr S' complaint. In order to put things right, esure Insurance Limited must:

- Pay an additional £1,096 in settlement of the claim.
- Pay simple interest at a rate of 8% per year on this amount from the date of the original settlement to the date of final settlement.
- Pay Mr S £100 compensation. esure must pay this within 28 days of us telling it Mr S accepts my decision. If it doesn't, it must pay simple interest at a rate of 8% per year from that date to the date of final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 December 2025.

Ben Williams
Ombudsman