DRN-5879813

The complaint

Mr P complains about the manner in which esure Insurance Limited handled a claim on his motor insurance policy. In particular he's concerned that it undervalued his car and unnecessarily deemed it a total loss.

What happened

Mr P was in an accident and claimed on his policy. esure decided his car was a total loss. Mr P was unhappy with its valuation of the car – £5,458. He complained. esure was satisfied that its valuation was fair.

Mr P brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. She didn't think esure had dealt with Mr P fairly. So she said it should increase its valuation to £6,507 and pay Mr P the difference between that sum and its own valuation. She said it should add simple interest at a rate of 8% a year to that payment. She also said it should pay Mr P £150 compensation for his distress and inconvenience.

esure didn't agree with our Investigator's complaint assessment so the matter's been passed to me to decide.

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.

After Mr P claimed on his policy esure told him that his car would be a total loss and referred the matter to its salvage agents. But it's not immediately clear why it did so at that point. esure's notes show that it initially thought his car was repairable and there was no equivalent entry to explain why it then thought it might be a total loss. Mr P queried this and esure reviewed the matter. Having done so it arranged for one of its repairers to provide a repair estimate. After the repairers had done that, esure again said Mr P's car was uneconomical to repair and deemed it a total loss.

esure then valued Mr P's car at £5,458. Mr P is adamant that esure has significantly undervalued his car. As a result he researched the matter himself and gave esure his report, together with adverts supporting his opinion of why a fair value for the car would be in excess of £7,250. Clearly, Mr P's valuation and esure's are someway apart, which has caused Mr P to complain.

Assessing the market value of a car is not an exact science. And it's not my role to value vehicles, rather my role is to see if a business has handled matters fairly and reasonably.

Mr P's policy says that in the event his car is deemed a total loss esure will pay him the car's market value, which is the amount Mr P could have expected to receive had he sold the car on the open market.

When looking into these types of complaints we check trade guides (which I've referred to by their initials below), adverts and other relevant evidence. We generally find the guides most persuasive as they're based on nationwide research of likely selling prices. So, they're often more reliable than individual adverts. And I've considered if esure's offer to settle Mr P's claim is fair and in line with the policy terms and our general approach.

Given the competitive market for second-hand vehicle sales, and to minimise the risk of detriment to the policyholder, the Financial Ombudsman Service feels that the starting point for any settlement should be the highest valuation returned by the trade guides. Then, if an insurer wants to pay less, it will have to evidence why that is fair. It might be that there's persuasive evidence, for example from adverts or other independent reports, which suggests that another value, lower or higher, is fair in the relevant circumstances.

In this instance esure used four industry recognised trade guides to value Mr P's car. Those were as follows:

C	£4,801
G	£4,490
P	£6,032
A	£6,507

esure took an average of the four guides to produce its valuation of £5,458.

As I've said above the starting point for any settlement should be the highest valuation returned by the trade guides. So esure's method of using an average of the guides doesn't seem to sit in line with that. And the valuation it's produced is significantly less – 16% – than the highest valuation from the guides.

In support of its valuation esure's pointed us to two adverts for similar cars to Mr P's, which were advertised at prices below esure's valuation. But I don't think those two adverts are sufficient evidence that its valuation is fair. Both the cars advertised have mileages significantly higher than Mr P's car. One of those had covered more than 12% higher than the mileage Mr P's car had travelled. The other had around 24% higher mileage. I appreciate that, given the age of Mr P's car, finding a car of the same age with similar mileage might not be easy, but in the specific circumstances of this case I think the difference is too much to make esure's a fair comparison. I also note that the publication advertising the cars had noted the more expensive of the two to be a 'lower price'. So I don't find these adverts to be necessarily indicative of the fair market value.

In contrast Mr P has produced adverts for three cars advertised at £6,999, £7,250 and £8,490. But the last car, while having a similar mileage to Mr P's is three years younger. So I don't find that a fair comparator. Also the second car's mileage is some 42% lower than Mr P's car. So I don't think it would be fair to use that value either. The first car has done considerably more miles than Mr P's car and is advertised at more than the highest of the trade guides. But I don't find that advert persuasive such that I should increase the valuation beyond the highest of the trade guides. That's because a seller can advertise a car for any price they choose. But that doesn't mean it will sell for that price. So I don't find this single advert sufficiently convincing that it is reflective of the true market value of Mr P's car.

It follows that I'm satisfied it's reasonable to apply our standard approach here. I think a fair market value for Mr P's car is £6,507, being the highest of the trade guides' valuations. In those circumstances, I require esure to pay him the £1,049 difference between that sum and the amount it's already settled the pre-accident value element of his claim for. And as Mr P's been without the use of that money, it should add simple interest to that sum at a rate of 8% a year from its original date of settlement to the date it makes payment to him.

I'm aware that Mr P is concerned that, had esure valued his car fairly at the outset then it might not have deemed his car a total loss. I note our Investigator asked esure to address this point when she issued her complaint assessment. But, esure didn't do so and instead focused on the valuation dispute. However, I note the repair estimate I've seen said the cost of repairs was already at least 70% of A's valuation. And that was without fully stripping the car to establish the full extent of any damage. As far as I'm aware, insurers will generally find a car is a total loss when the cost of repairs increases to over 60-70% of its value. So, it sems more likely than not that esure would have deemed Mr P's car a total loss even if it had increased its valuation from the outset.

That said, Mr P's complaint that esure undervalued his car is justified. He's clearly put in a considerable amount of effort to make his case for that. And it's apparent that he's been frustrated by esure's unfair valuation and refusal to increase its offer. In those circumstances I think it's reasonable that esure should pay him £150 compensation to address the impact of its shortcomings.

Putting things right

I require esure to:

- Pay Mr P the £1,049 shortfall in its valuation of his car. It should add simple interest to that sum at a rate of 8% a year from the date it originally settled that element of his claim to the date it makes payment to him[1].
- Pay Mr P £150 compensation to address the additional efforts he had to make and the frustration he's experienced because of esure's undervaluation.

My final decision

For the reasons set out above I uphold this complaint and require esure Insurance Limited to take the steps set out under the heading putting things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 December 2025.

Joe Scott
Ombudsman

[1] If esure considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr P how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.