

The complaint

Mr B complains about the settlement that One Insurance Limited offered him following the total loss of his car. He wants it to pay him a fair settlement.

What happened

Mr B's car was damaged and declared to be a total loss. One Insurance offered Mr B £3,480 less the £100 policy excess in settlement of his claim. But Mr B thought his car was worth about £5,000 as shown by adverts for similar cars.

Our Investigator recommended that the complaint should be upheld. He thought One Insurance's settlement wasn't made in keeping with our approach as it hadn't justified its decision to pay less than close to the highest valuation provided by the motor guides we use. He thought it should increase the settlement to £3,920 and pay Mr B the difference with interest.

One Insurance replied asking for an Ombudsman's review, so the complaint has come to me for a final decision. It said it had provided examples of similar cars sold for significantly less than its offer to Mr B. It said its offer would allow Mr B to replace his car with a similar one.

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 wants a fair settlement for the loss of his car. Mr B's policy provides for the car's market value in the case of its total loss. I can see that this is defined on page 4 of the policy booklet as:

"This is how much it costs to replace your car with another that is a similar make, model or has the same features. This depends on how old your car is, how many miles it has done, and its condition (paint work, mechanics, rust and so on). When we look at the market value of your car, we might use guides that are used in the car insurance industry and search for similar cars for sale to the public."

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 One Insurance'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 B'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 close to 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 close to the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

Our Investigator found valuations for Mr B's car in three of the guides we use. These were for £3,480, £3,818 and £3,920. One Insurance had valued Mr B's car at £3,480, which was the lowest of the three. So I've considered whether this has been justified.

Mr B provided adverts for similar cars advertised at higher prices. But I couldn't view these as the links had expired. One Insurance also provide adverts for similar cars advertised at prices lower than its offer to Mr B. But I can see that these aren't for identical cars as they are diesel rather than petrol models which our Investigator has demonstrated leads to a reduction in value.

And the adverts provided by One Insurance state they are "Lower price" or "Great price" indicating that the prices aren't typical for this car. So I'm not satisfied One Insurance has provided persuasive evidence to show that Mr B could replace his car with a like for like model for a lower valuation than the highest provided by the guides.

And so I'm not persuaded that One Insurance's valuation was fair and reasonable as it wasn't made in keeping with our approach and the policy's terms and conditions. And I require it to increase this to £3,920 less the policy excess and any reduction for salvage retention and pay Mr B the difference between this and its interim offer, with interest.

Putting things right

I require One Insurance Limited to increase its valuation of Mr B's car to £3,920, less the policy excess and any reduction for salvage retention, and pay him the difference between this amount and its interim settlement. Interest should be added to this difference at the rate of 8% simple per annum from the date of the interim payment to the date of final settlement.

If One Insurance considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B 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. I require One Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 February 2026.

Phillip Berechree
Ombudsman