DRN-5928682

The complaint

Mr S complains Alwyn Insurance Company Limited (Alwyn) haven't paid enough for his car when it was stolen and he claimed on his car insurance policy.

Mr S's policy is administered by a third-party company on Alwyn's behalf and all of Mr S's correspondence has been with this company. However, Alwyn is the policy underwriter so his complaint is against Alwyn. Any reference to Alwyn in my decision includes the policy administrator and any other Alwyn agents.

What happened

Mr S's car was stolen. Alwyn said to settle the claim, it would pay the market value of the car, less his excess. It confirmed it had consulted three motor valuation guides and valued the car based on an average of the three valuations. It said normally cars sell for around this amount, but as Mr S's car had previously been written off, it thought a deduction of 10% was fair to reflect the impact this would have on the car's value.

Mr S didn't accept Alwyn's valuation. He thought the valuation was too low, and said his car was worth £19,000. He didn't think the amount offered would enable him to buy a like-for-like car that was ULEZ compliant.

Alwyn maintained its valuation was fair. It said it had provided adverts for cars of a similar age, model and specification. Mr S accepted an interim payment but continued to dispute the value.

Mr S complained to our Service. He said he didn't consider Alwyn's valuation took into consideration he needed to buy a ULEZ compliant car, and he was also unhappy with the 10% deduction.

Ultimately, our Investigator concluded the valuation was unfair due to Alwyn's deduction of 10%.

As there was no agreement, the complaint was passed to me for a 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 role of this service isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the policy terms correctly and valued the car fairly. Under the terms of Mr S's policy, Alwyn has to pay him the market value of the car, less his excess.

Alwyn has valued Mr S's car at £15,102. It's said it's valued this by using an average of three guides. It's also reduced the valuation by £1,510.20 as it says Mr S's car had previously been written off. Mr S doesn't think this valuation is fair because he says he is unable to buy a similar car.

It's standard practice for the industry to use valuation guides to work out the market value of a car. And it's not unreasonable that it does so, as these are generally based on similar cars for sale. But I've thought about whether Alwyn has used the guides in a fair way in this case.

We consider it is good industry practice for an insurer to pay the highest of the valuation guides unless it can provide evidence to support that's not a fair reflection of the car's value. Alwyn's valuation guides gave valuations of £16,100, £14,449 and £14,757. Alwyn gave a base valuation of £15,102 (before deducting the amount for a previous write-off). Alwyn has said its valuation is supported by the adverts it's provided. Looking at these adverts, I can see the four adverts range in price between £14,850 to £15,100 for ULEZ compliant cars of a similar specification, age, with lower mileage and without previously being written off. Alwyn's offer of £15,102 is slightly higher than the highest of the adverts it has provided. So I'm satisfied that the adverts provided support Alwyn paying the lower than the highest of the guides was fair. However, I also need to think about whether it was fair for Alwyn to reduce the valuation by 10% due to Mr S's car previously being written off.

There is no dispute Mr S's car was previously written off. Alwyn said it deducted 10% from the base valuation. It said its internal research shows a car that has been subject to a previous total loss, doesn't command the same value as a car that hasn't. In considering whether this is fair, I would expect Alwyn to show what impact the previous total loss had on the market value. It needs to show the deduction is fair. Alwyn says it attempted to find a comparable example of a similar make, model and specification, but was unable to do so. In the absence of such evidence, I am not persuaded the total loss marker will have any impact on the value of Mr S's car. Therefore, I do not consider Alwyn's deduction to be reasonable.

Taking everything into consideration, I don't think Alwyn has valued Mr S's car fairly. And it should pay an additional £1,502.20. As Mr S has been without his money for some time, I think it should add interest to this amount.

My final decision

For the reasons I've set out above, my final decision is that I uphold this complaint. I require Alwyn Insurance Company Limited to do the following to put things right:

- Pay Mr S a further £1,502.20. It should pay 8% simple interest on this amount calculated from the date it paid the initial settlement to the date it pays the further amount due*.

*If Alwyn Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one so he can reclaim tax from HM Revenue & Customs if appropriate.

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

Lorraine Ball
Ombudsman