

## The complaint

Miss P is complaining about the amount Advantage Insurance Company Limited has paid to settle a claim she made against her car insurance policy. She's also unhappy with the way it's handled her claim.

## What happened

In May 2025 Miss P's car was hit by a third party, so she contacted Advantage to make a claim on her policy. Advantage said it would settle the claim by paying her the car's market value and it waived the policy excess that was due. It initially valued Miss P's car to be around £995. It later increased it to £1,520. But it also made a deduction for pre-accident damage of £375 which made its final value £1,145.

Miss P didn't think this was fair and complained. She thought the car was worth more and she said she would need to pay around £1,850 to replace it. And she didn't think the deduction Advantage made for pre-accident damage was fair and this should be removed. She also raised some concerns to do with Advantage's communication and complaint handling during the claim including ignored communication, call backs not honoured and excessive call hold times.

To put things right Miss P would like Advantage to increase its valuation to £1,850, pay £800 for the distress and inconvenience caused, and for it to provide a formal written apology.

Advantage still thought its valuation of Miss P's car was fair. It also said Miss P's hire car was provided under a credit hire agreement which was outside of the terms of her insurance policy and this hire came to an end once her car had been valued. Advantage said the policy terms say a replacement car wouldn't be provided if the car was deemed a total loss. But it agreed it hadn't been clear with Miss P that the agreement would end. And it paid her £250 in compensation to reflect this.

Miss P remained unhappy so she referred her complaint to this Service. Our Investigator recommended Miss P's complaint be upheld. He said he thought Advantage had evidenced its base valuation for Miss P's car was fair. But he didn't think the deduction of £375 for pre-accident damage was reasonable as he thought the damage Advantage had initially referred to was consistent with wear and tear and in line with the age of the car.

However, Advantage later highlighted further damage to the bonnet – a deep scratch. He thought this would impact the car's value. He said Advantage had set out it would cost around £150 to repair the scratch. He thought it was fair for Advantage to deduct 50% of this cost from the car's base value. So he thought Miss P had been left £300 out of pocket due to the incorrect deduction and recommended Advantage should pay her this amount. Finally he thought Advantage should increase its offer of compensation for the distress and inconvenience caused by £100 making the total payment for this £350.

Advantage and Miss P didn't agree. Advantage maintained its deduction for pre-accident damage was fair. Miss P raised a number of objections – in summary she thought she was out of pocket by more than £300, she didn't think the valuation provided was fair including

the £75 deduction for pre-accident damage and she thought the evidence she had provided was unfairly dismissed. She also thought the £350 compensation recommended for the distress and inconvenience caused was inadequate.

As both parties didn't agree with the Investigator, the complaint'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.

I've decided to uphold this complaint and I'll now explain why.

#### *Valuation*

This service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy and valued the car fairly. Under the terms of Miss P's policy, Advantage has to pay her the market value of the car, less her excess.

The market value is defined as "*The cost of replacing [the] car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition.*"

Advantage has valued Miss P's car at £1,145. It's said it's valued this based on the nearest equivalent advertised car similar to hers. It then deducted £375 from the car's value to reflect pre-existing damage. Miss P doesn't think this valuation is fair because she says it would have cost her around £1,850 to replace the car.

Usually, it's standard practice for insurers to use valuation guides to work out the estimated market value of a car. And it's not unreasonable that they do so. The valuation the guides give are based on the advertised prices of similar cars with similar age and mileage for sale at the time of loss. Advantage initially valued the car based on valuation guides. However, in it later increased the base value to more than the highest of the valuation guides (which was £1,275). I think that's fair because I think the adverts of similar cars show the guides don't give a fair reflection of the car's market value in this particular case.

I've considered the advert Advantage has used to value the car and I think it was for a car with a similar age and mileage. It also had the same specifications as Miss P's. So it was reasonable for Advantage to use that. I note Miss P provided adverts showing a lot higher value. But I've also seen a number of other adverts supporting a value of around £1,500.

Ultimately, the question for me to ask is whether Advantage has followed a fair process and whether the base valuation is a fair reflection of the car's value. From the information I've been given and the industry evidence I've seen, I think a base valuation of £1,520 was a fair reflection of the car's value in good condition.

I've now thought about whether it was fair for Advantage to deduct £375 for pre-accident damage. I don't think it was. It needs to be noted that Miss P's car was around 17 years old. So it has to be accepted that there would be a fair degree of wear and tear. Advantage made the deduction to take into account an alleged corroded bonnet, plus further corrosion to the left-hand quarter panel and the tailgate.

Firstly, Miss P has demonstrated that there wasn't corrosion to the bonnet. So it was unfair for Advantage to make any deduction for that. I've considered the other damage Advantage deducted for and, while the damage is present, I don't think it's significant. I'm not persuaded this is out of line with what one would reasonably expect to see of a car of this age. And, naturally, the car's value diminishes because it would be accepted that there will be wear and tear owing to its age. So I don't think the damage would have had a material impact on the car's value. It follows, therefore, that I don't think it was fair for Advantage to have reduced the value because of the damage it referred to.

However, Advantage has since highlighted that there is a deep scratch on the bonnet. I think this goes beyond what would be considered fair wear and tear. And I think this would likely impact the car's market value. So I think Advantage can fairly take this into consideration.

Advantage has said it would cost around £150 to repair this. And I'm persuaded what it's said here is fair. It's considered good industry practice to deduct around 50% of the cost of repair from a car's value. And I find that's fair in this case. So I think a fair deduction would be £75 for this. It follows, therefore, that I think Advantage should reduce the deductions for pre-accident damage to £75 and it should pay Miss P a further £300.

#### *Hire car*

Miss P is unhappy Advantage took the hire car away because it paid the interim payment, despite initially saying it wouldn't do so. I should first make clear that the terms of the policy don't provide cover for a hire car. So Advantage wasn't contractually required to provide one. As a result, she was provided with a car through a credit hire arrangement.

Essentially, I think Miss P is unhappy because she thinks the credit hire provider would have allowed her to keep the hire car, while the valuation dispute was resolved. But I don't agree. Once the valuation process was completed – whether Advantage paid the settlement or not – the credit hire provider is likely to have taken the car away. Advantage has also confirmed that would have been the case. So, whether Advantage paid the settlement or not, she'd have been in the same position. Given this, I haven't seen anything to show Miss P has lost out because Advantage paid the settlement as an interim payment, even though she didn't ask it to do so.

#### *Customer Service*

Advantage has accepted it could have handled the claim better. In particular it's accepted it didn't make it clear to Miss P that, even if she didn't accept the interim payment, the hire car would be withdrawn. It also noted it had provided misleading information on the telephone calls. Miss P has said she was unable to care for her mother who was unwell and couldn't attend medical appointments because the hire car was taken away. But, as I said above, the hire car was always going to be taken away, so I can't hold Advantage responsible for this. However, it could have managed the situation better than it did.

I also have to recognise Advantage under-valued Miss P's car by around £300. Miss P has said this meant she couldn't replace the car. But it's a standard principle in claiming for consequential losses that there's a duty upon an individual to mitigate their losses. So I think Miss P should have taken reasonable steps to replace the car at this point. While I agree it should have paid an additional £300, I can't reasonably hold Advantage responsible for her choosing to not replace the car. And, further to this, I think she still would have continued to dispute the valuation Advantage placed on the car – even if it had paid £1,445. So I'm not persuaded her situation would have been materially different even if Advantage had paid a higher settlement.

The Investigator thought Advantage should increase the compensation payable to £350. I think that's in line with what I would have awarded. So I think it's fair.

### **My final decision**

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

1. Pay Miss P a further £300 in settlement of the claim. It should add 8% simple interest per year from when it paid the interim settlement to Miss P until it pays the remaining £300. If it thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss P how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax if appropriate.
2. Increase the compensation payable to £350. It should pay this to Miss P directly if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 20 January 2026.

Guy Mitchell

**Ombudsman**