

The complaint

Miss K complains about the amount Advantage Insurance Company Limited (Advantage) paid to settle her car insurance claim.

What happened

In July 2025 Miss K was involved in a car accident and made a claim against her policy. Advantage deemed Miss K's car was a total loss and valued it by considering four motor valuation guides. It then valued the car at £8,583 which was the average of those guides' amount with a deduction made for pre-accident damage (PAD) of £248.

Miss K didn't agree with Advantage's valuation. She said she only bought the car six weeks before the accident and paid £10,995. She also said it had a number of optional extras on it. To account for the car being a recent purchase, Advantage increased its valuation to £9,250 less the PAD deduction, bringing the final valuation to £9,002. Miss K still didn't think that was a fair valuation but Advantage didn't change its stance. It said it'd valued the car above the average of the guides and that this was based on its review of the market.

Unhappy, Miss K brought her complaint to our Service. She said Advantage's valuation was below the market value as she couldn't buy a like for like car with that amount in her geographical location. She wanted Advantage to pay her the amount she paid for the car six weeks prior to the accident.

Following our involvement, Advantage revised its position about the PAD deduction. It said the evidence it'd reviewed supported the damage wasn't present before the accident. So, it said it would pay Miss K the £248 it had deducted from its valuation.

Our Investigator thought Miss K had provided sufficient evidence which showed that prices for used cars were generally higher in her geographical location compared to the rest of the United Kingdom (UK). And that Advantage had failed to acknowledge her car came with optional extras. She said Advantage's internal notes showed it considered an advert Miss K had provided for £10,750 as a close comparison but due to it incorrectly thinking Miss K's car didn't have a satellite navigation, it didn't consider it further. So, she recommended Advantage settle the claim on the basis the market value was £10,750.

Miss K agreed with the Investigator's recommendation but said she should be compensated for the distress and inconvenience Advantage caused her by providing an unfair valuation. Advantage accepted the advert in question related to the same make and model as Miss K's car but it said it was two plates newer and that this meant it wasn't directly comparable. Advantage also said that its definition of the 'market value' made it appropriate for it to consider market examples from across the UK, rather than limiting it to Miss K's specific location. It maintained that its updated valuation was fair.

As the complaint couldn't be resolved, it has been passed to me for 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.

Having done so, I'm upholding it. I'll explain why.

I'm aware I've set out the background to this complaint in less detail than the parties have presented it. I'm not going to respond to every single point raised. Instead, I've focused on what I find are the key issues here. I assure both parties, however, that I've read and considered everything they've provided.

In deciding what's fair and reasonable, I'm required to consider the relevant laws and regulations; regulators' rules, guidance and standards; codes of practice and (where appropriate) what I consider to be good industry practice at the time. Importantly here, the relevant regulator's rules say that financial firms must enable and support retail customers to pursue their financial objectives and must avoid causing them foreseeable harm. So, I've looked carefully at all the circumstances to see if Advantage treated Miss K fairly.

We don't decide what the market value of a car is. Instead, we consider whether the insurer has reached a fair and reasonable valuation in all the circumstances. This involves having regard to the valuations in the motor valuation guides. Their prices are linked to similar cars for sale in the market at the time of loss. We expect insurers to use valuation guides when valuing a car for claims purposes.

In this case, Advantage has accepted that the valuation guides didn't produce a fair reflection of the valuation of Miss K's car and so it agreed to a valuation above them. So, I don't need to comment further on this, other than to say I agree. The issue for me to decide is whether I think Advantage's updated valuation is fair in the circumstances.

Miss K has provided adverts, from her own geographical area of the UK, which she says shows she cannot replace her car for the amount Advantage has valued her car at. Advantage doesn't think that geographic location should be a factor in valuing cars and it has made reference to its policy terms which define 'market value' as follows:

"The cost of replacing your 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 said that based on the above definition, it's appropriate for it to consider market examples from across the UK and that, when geographical location is excluded from the assessment, the higher valuation recommended by the Investigator would result in customer betterment.

The onus is on the insurer to show that their valuation is enough to allow the consumer to purchase a replacement car with one of the same age, price and mileage. And this requires taking into account all the evidence in context. While geographic location isn't generally a deciding factor when valuing cars, I don't think Advantage has shown sufficiently persuasive evidence supporting the reasonableness of its valuation.

I say this because under the Consumer Duty, Advantage has a duty to avoid causing its customers foreseeable harm. I think it's failed in that duty here. Advantage doesn't dispute that Miss K is likely to lose out financially due to prices being generally higher in Northern Ireland than the rest of the UK, yet it says its policy terms allow it to take this approach. I

accept that in many cases, it might be reasonable for Advantage to consider market examples from across the UK. But I think taking into consideration where Miss K lives, in the specific circumstances of this complaint, Advantage should take a different approach in order to arrive at a fair and reasonable outcome.

Miss K has demonstrated, through market examples, that she cannot buy a replacement of the same age, mileage and specification for the amount Advantage paid her. But Advantage maintained it was appropriate to value the car using examples outside of Miss K's location and pay her £9,002. For the reasons I've explained, I don't think this is reasonable, particularly given Miss K bought the car six weeks prior to the loss for £10,995 and Advantage's duty to avoid foreseeable harm.

I've also thought about Advantage's argument that the car in the advert provided by Miss K was two plates newer and so it doesn't think it's comparable. However, it remains the case that Miss K paid £10,995 for the car only six weeks prior to the loss. And from what I've seen, she didn't overpay for the car given the market prices in Northern Ireland. So, overall I think the advert Miss K has provided gives a reasonable indication of the market value of her car at the time of loss.

Therefore, I think Advantage should pay Miss K £10,750 for her car's market value, plus the £248 it deducted incorrectly for its valuation less the interim amount it has already paid her which was £9,002. It should also pay interest on the difference.

Lastly, I think Advantage's handling of this claim has been poor. Its first valuation was over £2,000 lower than what Miss K bought the car for six weeks prior to the loss and it applied an incorrect PAD deduction. I think this caused unnecessary distress and inconvenience to

Miss K in terms of leaving her significantly short of the amount she needed to replace her car and required her to spend unnecessary time pursuing this matter. And I think this warrants compensation of £300, which is consistent with our bands of awards where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out.

My final decision

For the reasons given above, I uphold this complaint. I require Advantage Insurance Company Limited to do the following:

- pay Miss K the difference between the sum already paid for her car which is £9,002 and £10,998 (which is made up of the market value of £10,750 plus the £248 refund)
- add interest to the extra sum paid at the simple yearly rate of 8%, from the date of the original payment until the date of settlement. If Advantage thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss K 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.
- pay Miss K £300 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 9 March 2026.

Linda Tare
Ombudsman