

The complaint

Mr C has complained about Tesco Underwriting Limited's handling of claim he made on his motor insurance policy. Amongst other things he complained that Tesco had undervalued his car, delayed in arranging a hire car and provided poor customer service.

What happened

Mr C's car was damaged by another vehicle while parked. The driver of the other vehicle left Mr C a note to tell him what had happened.

Mr C claimed on his policy. Tesco decided Mr C's car was a total loss. Mr C was unhappy with a number of aspects of Tesco's claim handling. Tesco acknowledged this it hadn't got everything right. In a series of complaint responses it would pay (and subsequently did pay) Mr C £50 compensation. It also agreed to increase its valuation of his car.

Mr C remain dissatisfied and brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. She didn't think Tesco needed to take any further action. Mr C didn't agree with our Investigator's assessment of the complaint, so the matter's been passed to me to determine.

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.

In bringing his complaint and responding to our Investigator's assessment of it, Mr C has made a number of points. When doing so he's cited some legislation, legal cases and referred to some other final decisions from this Service which he feels support his position. Whilst I've noted Mr C's comments in these respects, it may help if I explain that we offer a dispute resolution process tasked with resolving complaints with the minimum of formality. As such we're an alternative to the courts not a substitute for them. So while I will take the law into account, I'm not bound by it, nor am I bound by other decisions that my Ombudsman colleagues have issued as those do not set precedent.

Further I aim to make my decisions as clear and concise as possible. So while I've considered very carefully all the points raised, I'm not required to make a finding on each and every point made, nor to set out in detail each and every action, comment or concern. Instead, I focus on the events that are crucial to my decision making in respect of the points at the heart of the complaint which Mr C put to Tesco and which it had the opportunity to respond to before he brought his complaint to this office. So, if there's something I haven't mentioned, it isn't because I've ignored it, I haven't. It's because I'm satisfied I don't need to comment on it to be able to reach what I think is the fair and reasonable outcome.

Valuation

Tesco initially valued Mr C's car at £9,300 but, after he complained it increased that to £10,049. Mr C still thinks that valuation is too low. So I've looked to see if Tesco acted fairly here.

Mr C's policy says that in the event his car was deemed to be a total loss, Tesco would pay Mr C its 'market value'. The policy defines market value as:

“The cost of replacing the car keys or any other ignition device, locks or child seats, audio/visual/electronic – manufacturer equipment on a comparable, like for like basis if cover is applicable under your policy or the car with one of the same or similar make, model and specification, taking into account the age, mileage and condition to determine the market value. We usually ask an engineer for advice and refer to motor trade guides and other relevant sources. We consider the amount you could reasonably have obtained if you sold the car immediately before the accident, loss or theft and not the price you paid for it.”

As our Investigator has previously explained, assessing the market value of a car is not an exact science. And it's not my role to value vehicles. When looking into these types of complaints we consider if what the business did was fair. To do that we check trade guides, adverts and other relevant evidence. We generally find the guides most persuasive as they take account of a lot of data including nationwide research of likely selling prices of numerous similar vehicles. So, they're often more reliable indicators of value than individual adverts. And I've considered if Tesco's offer to settle Mr C'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 thinks that a sum less than the highest value is reasonable, it will be for it to show that with evidence. And, if a consumer doesn't think the sum offered is enough to allow them to replace their car with an equivalent vehicle, we would expect them to provide other evidence. For example that could be from adverts or other independent reports, which suggest that another value is fair in the relevant circumstances.

In this case Tesco looked at the valuations from two of the trade guides before also considering the market for similar advertised cars. The trade guides use the car's registration number to find its specific details and factory fitted extras together with the car's exact mileage at the date of loss. As I've said above, valuing a car is not an exact science and each trade guide uses its own method for providing a valuation. So while they may produce similar results the guides' valuations are rarely identical. We have checked the trade guides ourselves to value Mr C's car at the date of loss. We used valuations from four trade guides when doing so. Those produced the following valuations: £7,095, £8,642, £8,960, £9,292.

So, using our preferred methodology the highest of those values would have been £9,292. But it's notable that Tesco also looked at the other evidence available including similar cars being advertised and the adverts Mr C had provided. And having done so, it increased its valuation to £10,049.

I'm aware that Mr C doesn't think that sum is reasonable. Particularly as he provided adverts for cars at a higher prices. However, one of those cars was not the same model as Mr C's. So I wouldn't think it was fair to use the advertised price of that car as a fair indication of the market value of Mr C's car.

Further, I'm aware that the advertised prices for cars aren't necessarily selling prices. A seller can advertise a car for any price they choose. But that doesn't mean it will sell for that price. Indeed there's no guarantee that an advertised car will sell at the price it's up for, if in fact it sells at all. And some dealers will advertise cars at higher than their expected selling price to allow for some negotiation in order to make the deal seem more attractive to a prospective buyer. In any event, I wouldn't find one advert alone an indicator of a fair market price.

However, while we don't generally find car adverts alone a persuasive indication of market value, it's clear that Tesco did look to the cars available on the market and the adverts Mr C had provided. Those adverts were for cars of the same age and with similar mileage as Mr C's. All of those adverts were for prices lower than Tesco's valuation, which demonstrated that Mr C could have replaced his car with the settlement that Tesco paid to

him. However, having also considered the adverts Mr C provided, Tesco thought a fair market value was a sum higher than the trade guides values it had obtained. I think that was a reasonable approach in the circumstances.

Mr C also argued that Tesco's valuation wasn't fair as it didn't allow for the modifications he'd made to the car to make it accessible for him as he has a disability. He told us he'd spent over £3,500 in improving the car. Mr C sent Tesco the invoice for the work he'd had done to the car. However, most of the work billed for on the invoice was done in order to make necessary repairs to keep the car in good order. And money spent on maintenance/repairs is not regarded as increasing the value of the vehicle. Those are necessary expenses to keep the car in good condition and therefore maintain its value.

Further, Mr C's policy specifically says that it will not cover the value of modifications unless those were declared to it when the policy was taken out. Mr C did not declare any modifications when he insured the car. In those circumstances the policy does not cover them. So I don't think Tesco needs to increase its valuation as a result.

Mr C also referred to an agreed value policy he'd had with another insurer which had valued his car at £19,000. Mr C thought that was an indication of the value of his car. But I don't agree that it was. The policy Mr C referred to provided cover from May 2020. Over four and a half years before Mr C made his claim. It's generally understood that cars' values decrease as they get older and as their mileage increases. Further, the fact that an insurer was prepared to offer an agreed value policy at a certain valuation over four years earlier is not of itself indicative of a fair market value at the time (four years later) of Mr C's claim. So I don't think Tesco needed to increase its valuation because of the agreed value policy which had lapsed years earlier.

As I've said above, my role is not to value Mr C's car but to decide if Tesco's valuation was fair and reasonable. And given that it valued Mr C's car at a figure higher than any of the trade guides, I think it's arrived at a reasonable valuation. So I'm not going to instruct it take any further action on that point.

Hire car

Mr C complained that Tesco delayed in providing a hire car even though he paid extra for enhanced courtesy car provision. As Mr C was not at fault for the accident Tesco referred him to a third party firm, which I'll call firm A, to provide a hire car. But firm A was not providing the hire car under the terms of Mr C's Tesco policy.

I'll explain that Mr C's enhanced courtesy car policy specifically excludes cover where the costs for providing a hire car are recoverable from a third party. In other words it doesn't apply in a situation, as was the case here, where Mr C was not at fault. So, as Mr C was not at fault for the accident and the hire car costs could be recovered from the third party's insurer, this part of the policy did not apply to his claim. Instead firm A provide the hire car under what's known as a credit hire agreement. And as that agreement was between Mr C and Firm A, Tesco was not responsible for it. So it was not responsible for any delays in providing the hire car.

Service

Mr C also complained about other aspects of Tesco's service including long delays on hold trying to speak with it. I note that this is something that Tesco acknowledged at an early stage. It said that the average wait time was around 24 minutes. But in recognition of the frustration caused to Mr C it apologised and paid him £50 compensation. I think that was a reasonable response in the circumstances. So I'm not going to instruct it to take any further action on that point.

Motor legal protection

In response to our Investigator's complaint assessment Mr C has said that Tesco did not allow him to pursue his claim while using the motor legal expenses protection his policy provides.

I'll first explain that Tesco Underwriting Limited does not provide the cover under the motor legal protection section of Mr C's policy. That cover is provided by another insurer¹. So, Tesco Underwriting Limited would not be responsible for any complaint Mr C has about the administration or decision concerning the motor legal protection element of his policy. So, as any complaint about that would not be for Tesco Underwriting Limited to respond to.

However, for completeness, as I couldn't see that this was a point Mr C had specifically raised with Tesco I asked if it had responded to Mr C's complaints about this issue. In response it told me that as far as it was aware it hadn't ever discussed the matter with Mr C. So it hadn't logged a complaint concerning his motor legal protection cover. It follows that if Mr C wants to raise a complaint about that part of his policy he will first need to complain to the policy administrators about it.

My final decision

For the reasons set out above I am not going to instruct Tesco Underwriting Limited to take any further action and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 February 2026.

Joe Scott
Ombudsman

¹ That insurer is named on page 31 of his policy's terms and conditions. Although as I understand it the insurance intermediary which administers the policy for Tesco Underwriting Limited also administers the motor legal protection cover of the policy.