

The complaint

Ms E and Mr M complain that U K Insurance Limited trading as Privilege Insurance (UKI) unfairly handled and settled their claim under a motor insurance policy.

What happened

The circumstances of this case are well known to both parties, but in summary Ms E and Mr M have a motor insurance policy underwritten by UKI. In April 2025, Ms E and Mr M's vehicle was involved in an incident which led them to claim under their motor policy. UKI deemed the vehicle to be a total loss and so settled Ms E and Mr M's claim for £2,114 before their excess of £200 – which it considered to be a fair market value. It said this was based on an average of values provided by motor valuation guides.

Unhappy with this, as well as the overall handling of their claim, Ms E and Mr M complained. UKI upheld the complaint in part. It explained it was satisfied it had settled Ms E and Mr M's claim fairly and in line with the terms of their policy but recognised there had been service failings during the claim journey. So, it paid Ms E and Mr M £200 in recognition of this.

Ms E and Mr M subsequently referred their complaint to this Service as they remained unhappy with UKI's position. Upon referral of the case, UKI explained it wanted to proactively settle the complaint prior to our investigations and agreed to increase its settlement of the vehicle to match the highest motor valuation guide, which was £2,376, award 8% simple interest on the difference from the date of original settlement to the date of payment, and increase its compensatory offer to £300 in total. Our Investigator put this to Ms E and Mr M; however, they disagreed and asked our Investigator to complete their investigation.

Our Investigator concluded that UKI's offer was fair, and in line with the terms of the policy. So, they didn't recommend UKI do anything more. Ms E and Mr M asked for an Ombudsman to make a final decision as they disagreed. This was because the revised figure failed to take into account the number of owners and service history of their vehicle and so wouldn't enable them to purchase a like for like replacement. They also explained that UKI's service failings impacted on Ms E's ability to work, the delayed payment meant they had to extend their hire vehicle at their own cost, and that the compensation awarded by UKI wasn't reasonable given their overall experience.

So, the case has 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 recognise I have summarised the circumstances of this case in less detail than presented. But I would like to assure both parties that I have carefully considered all submissions made when determining this complaint. I may not comment on each point raised or each piece of evidence provided. Instead, my decision will comment on the issues I consider to be key.

This isn't intended as a discourtesy but reflects the informal nature of this Service – and the rules this Service are expected to adhere to enable me to do this.

Having done so, I am upholding this complaint, and I will be directing UKI to adhere to its offer. I'll explain why.

The starting point with any insurance claim is the policy terms and conditions which sets out the basis of cover between the insurer and its policyholder. Having referred to Ms E and Mr M's policy terms, I can see they are entitled to claim for accidental damage to their vehicle. However, the terms go on to explain that UKI won't settle a claim for more than the market value of the vehicle. This is defined as –

“The cost of replacing your car with another of the same make and model and of a similar age, mileage and condition at the time of the accident or loss.”

It isn't the role of this Service to provide an exact valuation of a motor vehicle. Instead, we consider whether an insurer has acted fairly and reasonably, in line with the terms of its policy, and taking into account other relevant supporting evidence such as motor valuation guides. We generally find these persuasive as they're based on nationwide research of sales prices.

However, an insurer needs to show that their valuation is fair – taking into account other available evidence such as advertisements of similar cars. If an insurer can't do this, we are likely to ask the insurer to pay the highest of the guide valuations to ensure a complainant isn't at any detriment.

UKI deemed the value of Ms E and Mr M's vehicle to be £2,114. This was based on an average of three different motor valuation guide figures of £1,995, £2,010 and £2,376. I've checked the figures obtained by UKI against those obtained by our Investigator and find the figures obtained to be reasonably consistent and based on correct and accurate information about Ms E and Mr M's vehicle.

However, as UKI has taken an average of the figures, it needs to show that this would enable its policyholder to purchase a like for like vehicle. It hasn't provided evidence of this, and so I don't find that the valuation reached by UKI is fair and reasonable and so it should settle the claim based upon the highest of the motor valuation guides.

Ms E and Mr M provided a number of adverts to UKI which in their view demonstrate that both the original and revised values proposed by UKI do not enable them to purchase a like for like vehicle. I've carefully considered these adverts, and I don't find them to be more persuasive than the motor valuation guides. I say this as some of the adverts provided by Ms E and Mr M vary from that of their original vehicle. For example, Ms E and Mr M's vehicle was a 2010 model with roughly 43,800 miles driven, However the adverts provided include vehicles with significantly less mileage, or sub variations of the model. These can impact the value of a vehicle. I'm also mindful the figures quoted on the adverts are the advertised price – a figure the seller hopes to achieve and takes into account possible negotiation on the final sales price. And so, it follows that I don't find these adverts to be more persuasive than the motor valuation guides.

I recognise Ms E and Mr M have said that UKI failed to take into account the number of owners their vehicle had and its full service history. These are things that, while attractive to a potential purchaser, don't necessarily impact the market valuation of a vehicle. But, given the history of the vehicle, this further supports my position that the highest motor valuation guide is a reasonable market value.

Turning to the delays in the cleared funds, I appreciate this would have been disappointing and frustrating for Ms E and Mr M. So, I have gone on to carefully consider the impact of this delay and having done so, I appreciate the delay was frustrating, but based on the evidence, I don't think it had a material impact on Ms E and Mr M's ability to replace the vehicle. I say this as while Ms E and Mr M had to wait for the cheque to clear upon receipt, they were still able to purchase a new vehicle using their credit card. As such, the delay in the cleared funds didn't impact their ability to purchase a replacement vehicle and subsequently could use the cleared funds on their credit card shortly after purchase.

In addition, as Ms E and Mr M's vehicle was deemed to be a total loss, they were not entitled to a courtesy car under the terms of their policy. And so, while I recognise Ms E and Mr M are frustrated they had to extend their car hire, ultimately it was their decision to arrange a hire car given this was something UKI never agreed to cover following the total loss of their vehicle.

Ms E and Mr M have said that the handling of their claim has had a significant impact on them and left them distressed and inconvenienced. This also included Ms E having to take time off work to be available for a scheduled call with an engineer which was late as well as other service failings. I recognise these issues would have exacerbated what was already a frustrating time due to the nature of Ms E and Mr M's claim. And I agree that compensation is due in the circumstances.

Insurance claims are rarely straightforward and will naturally lead to some distress and inconvenience due to their very nature. However, where a firm causes distress and inconvenience beyond what would typically be expected, or causes unreasonable delays, it should look to compensate a consumer for this. When looking at compensation, there is no exact science. However, I find it appropriate to consider compensation as a whole, taking into account the overall service provided by UKI.

At this stage, UKI has agreed to pay Ms E and Mr M £300 in recognition of the distress and inconvenience experienced. Having considered the overall handling of the claim, I don't find this amount to be unreasonable or inconsistent with awards made in similar circumstances. Overall, the claim was reasonably moved forward, however there were customer service failings when UKI communicated with Ms E and Mr M. So, I find that the £300 is reasonable and proportionate in the circumstances. I therefore won't be directing UKI to do more.

My final decision

My final decision is that I uphold this complaint, and I direct U K Insurance Limited trading as Privilege Insurance to:

- Pay £262 – which is the difference between the original valuation and the highest of the motor valuation guides.
- Pay 8% simple interest on this amount from the date of the original claim settlement to the date it is paid.

If U K Insurance Limited trading as Privilege Insurance thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms E and Mr M how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax if appropriate.

Pay an additional £100 in recognition of the trouble and upset – bringing the total compensation to £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E and Mr M to

accept or reject my decision before 10 February 2026.

Oliver Collins
Ombudsman