

complaint

Mr B has complained about the service he received from Covea Insurance plc and the market value offer it made when he made a claim under his car insurance policy.

background

In July 2018 Mr B was involved in an incident and he made a claim to his insurer, Covea. An engineer reported that it wasn't economical to repair Mr B's car. Covea offered Mr B a final market value for his car at £1,095.

Mr B said his car was rare and he believed it was worth more. He was also unhappy with delays he said Covea had caused in dealing with his claim. He provided adverts of cars of the same make and model for sale.

Mr B said he had carried out considerable work to the car since buying it in 2016. Covea maintained its offer to pay £1,095 and said it would review its valuation on receipt of the car's service history. Mr B said documents including the V5 registration document which Covea requested were left in the car. In August 2018 the salvage agent checked the car and told Covea there were no documents in it. Mr B's partner told Covea in September 2018 they didn't have the car's service history as it hadn't been serviced at a dealership garage.

In September 2018 Covea said it had reached its valuation correctly and in line with the policy. It said Mr B's car was in average condition and had pre existing damage which affected the valuation. It said the adverts Mr B provided weren't for cars comparable to his. Covea relied on the motor trade guides to reach its valuation.

Covea accepted it had failed to call Mr B back when promised and caused some delay. For this it paid Mr B £100 compensation for the distress and inconvenience caused. Mr B remained unhappy. So he asked us to look at his complaint.

Our adjudicator initially thought Mr B's complaint should be upheld in part. He thought Covea had paid a fair award of compensation for its delay. But he checked an additional motor trade guide and it gave a retail valuation for Mr B's car of £2,776. It provided the same valuation for the car being in both poor and good condition. Mr B's car was over 20 years old.

Covea hadn't shown how it reached its valuation. And it hadn't provided an estimate of the costs to repair the pre existing damage. The adjudicator acknowledged that Mr B's car wasn't in the same condition as the adverts provided. But as these ranged between £5,000 and £10,000, he thought a fairer outcome was for Covea to increase the settlement it pays Mr B to £2,776.

Mr B accepted the adjudicator's recommendation.

Covea didn't agree. It said it would increase the settlement to £1,882 which was the trade valuation provided by the additional motor trade guide the adjudicator checked. It provided a detailed estimate from its engineer which showed the costs to repair the pre existing damage came to £2,275.56.

Our adjudicator followed our approach in these types of cases. We generally think it isn't reasonable for a business to deduct all of the estimated repair costs from a total loss settlement on a second hand car for pre existing damage. This is because the valuation will take into account some wear and tear for a car's age. But we think it's generally reasonable for an insurer to deduct half the estimate from the settlement.

In this case, this reduced the valuation the adjudicator recommended of £2,766 to £1,638.22. (deducting half of £2,275.56). This meant Covea's offer to pay £1,822 was more. Covea said its offer still stood. So the adjudicator thought this was fair and reasonable. He recommended Covea pay interest on the difference from the date it made the original offer to the date it pays.

Mr B didn't accept Covea's offer. Mr B's partner on his behalf acknowledges the car wasn't in retail condition. But she said they've provided details of the work carried out to the car. So she believes a fairer starting point to reach a valuation for Mr B's car is £6,000. Similar cars for sale in retail condition online range between £6,995 and £156,000. Only then might it be fair to make a deduction for pre existing damage. She said the car was very rare, going up in value, and worth more because of its colour.

So the case has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr B reported the incident in July 2018. In August 2018 Covea and Mr B with his partner discussed the valuation as Mr B didn't accept it. In August 2018 the salvage agent advised Covea that there were no service documents in the car to support an increase in the offer Covea made.

In September 2018 Covea accepted that there were times when it should have called Mr B back but it didn't. I think the compensation it paid for its poor service in failing to call Mr B back was a fair sum. It's in line with awards we give for similar cases.

We don't decide a valuation. But we can look at whether an insurer had reached its valuation reasonably and in line with the policy.

Mr B's policy says the most it will pay in the event of a claim is the market value. It defines the term 'market value' as: *"The cost of replacing your car with one of the same make, model, specification, year, mileage and condition. In deciding the market value of your car, we will refer to insurance industry recognised guides as well as searching for available vehicles being offered for sale to the public."*

There are different insurance policies available to consumers to suit their needs. Mr B's policy with Covea isn't a classic car policy. And Covea didn't provide advice to Mr B as to its suitability. So I think it's reasonable for Covea to settle Mr B's claim by paying the market value for his car.

We generally find the main motor trade guides are a reliable way to decide a fair market value for a car. They provide averaged values based on likely selling prices for a similar car in the month of loss.

Adverts tend to be less reliable as they are a starting point as to what a seller believes the car is worth. So they tend to vary widely and – as Mr B's car is rare – it isn't possible to find a car in similar condition to Mr B's to compare it with. They also tend to be a starting point to negotiate a lower price.

One of three main motor trade guides available provided a retail valuation of £2,776 for a car similar to Mr B's. This is higher than the higher motor trade guide Covea used. We'd generally say – where there are many cars available for sale similar to Mr B's – that it's reasonable to use the average of the available motor trade guides. But in this case I think the higher valuation of £2,776 is a fair starting point in this case given the rarity of Mr B's car and the gap between the guides and the advertised prices online.

The condition of an older car makes a big difference as to its value. Images of Mr B's car show that it wasn't in retail condition. Similar cars in good condition with lower than average mileage may be worth more. As Mr B's partner said, there are few examples for sale. From the range she mentioned, the advertised prices vary enormously.

Mr B has listed the repairs carried out to the car since he bought it in 2016. But I haven't seen any evidence to support this. In September 2018 Mr B's partner told Covea she didn't get the car serviced at a dealership garage so there was no service history. But I don't think this is what Covea asked for. It required proof of the history of work carried out to work to consider its valuation. Having a full service history for an older car also affects its value.

But it's also reasonable to pay for the maintenance of a car to ensure it's roadworthy. And we've used the retail valuation rather than the trade valuation. The guide we checked provided the same value at retail for a car similar to Mr B's in both poor and good condition.

Covea has provided an estimate of the costs to repair the pre existing damage to Mr B's car. I think it would have been helpful if Covea had provided this sooner. However, in applying our approach of deducting 50% of the estimate, this means an offer in the region of £1,638 – following our approach – would be fair.

As Covea has offered to pay a market value of £1,882 (on receipt of the validation documents it requires), I therefore think this is reasonable. I think Covea should pay interest on the difference from the date of the interim payment offer to Mr B to the date it pays at a rate of 8% simple interest a year.

I understand Mr B will be disappointed. But I think this is a fair outcome in line with his policy and our approach.

my final decision

My final decision is that I uphold this complaint in part. I require Covea to do the following:

- pay Mr B a total loss settlement of £1,882, increasing it from £1,095 – subject to receipt of the validation documents Covea requires.
- Pay interest on the difference from the date of the interim payment offer to the date it pays Mr B at a rate of 8% simple interest a year.

Covea Insurance plc must pay the compensation within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 March 2020.

Geraldine Newbold
ombudsman