

complaint

Mr Q complains that UK Insurance Limited's ("UKI") valuation of his car was too low after he claimed on his motor insurance policy. He's also unhappy about the type of hire car he was given.

background

After Mr Q claimed following an accident, UKI assessed his car to be 'beyond economic repair' (known as a total loss). UKI offered Mr Q a settlement figure of £5,400 as his car's pre-accident market value.

While assessing the claim, UKI provided Mr Q with a hire car. It was a different make and model to Mr Q's car and had a smaller engine.

Mr Q complained that UKI had undervalued his car because it didn't take into account the specification. He was also unhappy it hadn't given him a "like for like" (a car of the same make and model as his own) hire car as he had 'guaranteed hire car plus' cover.

UKI said £5,400 was at the higher end of the values given in the trade guides. So it thought its settlement offer was fair. It also felt the hire car had been appropriate under the terms and conditions of the policy.

Having checked the trade guides – the investigator said UKI's offer was a fair one. And she didn't think UKI had done anything wrong in relation to the hire car.

Mr Q disagreed and asked for an ombudsman's decision.

Shortly after requesting this, Mr Q told the investigator he enquired about the salvage of his car. But he was surprised a deduction would be made from his settlement amount for having his car back.

The investigator explained that UKI is entitled to make a reasonable deduction if Mr Q wanted to keep his car. She also said it was reasonable to request a certificate of destruction, given that the car has been classed as a category B write off and so can't be repaired and put back on the road.

my findings

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 think UKI's valuation of £5,400 is fair and reasonable.

valuation

Mr Q's policy says, in the event of a total loss, the most it will pay is the market value of his car. His policy defines "market value" as:

*"the cost of replacing **your car** with another of the same make and model and of a similar age and condition at the time of the accident or loss."*

Valuing a second-hand vehicle isn't an exact science. In order to decide what a fair value is, our approach is to refer to independent motor trade guides that provide valuations based on research of nationwide sales figures.

I can see UKI used Glass's and CAP's guides when considering the value of Mr Q's car. So I've looked at those guides and UKI's offer is consistent with the highest valuation in them. UKI has also confirmed its offer is higher than the valuation given by a third guide, Parkers.

Taking this into account, I've thought about Mr Q's comments in relation to the particular specification of his car. When searching the guides, I used the registration number of Mr Q's car. So I'm satisfied that the valuations took account of the specification of his car. I appreciate Mr Q thinks his car is worth more as he had it up for sale at a higher price and has identified adverts for cars selling for more. But I don't find these adverts as persuasive as the guides, as cars often sell for less than the advertised price.

For all of these reasons, I don't think UKI's settlement offer is unreasonable.

I can see Mr Q feels strongly about this matter, and I understand his disappointment. But in taking the highest valuation from the trade guides, I think UKI has made a fair and reasonable offer.

hire car

Mr Q was disappointed he wasn't offered a like for like car while his claim was being sorted out. And I can understand why he feels that way because of his experience during recent claims he's had.

When Mr Q made previous claims he received a like for like hire car while his was being repaired. That's because for those claims the hire car wasn't provided under his own policy. A separate credit hire company, introduced by UKI, arranged the hire car for those claims.

While I understand this may have created an expectation of the type of car he'd receive in future, I don't think it's appropriate to tell UKI it should give Mr Q this option every time. And UKI's notes suggest Mr Q was aware he could have decided not to claim on his policy and could have used an accident management company to handle his claim instead. I asked Mr Q about this and he confirmed he "*continued with*" UKI despite the type of hire car it gave him.

As Mr Q decided to claim under his policy, I need to look at what he was entitled to under its terms and conditions. Mr Q's policy says it will provide him with a hire car of a similar size. It makes it clear that the purpose of a hire car is to keep a consumer (in this case Mr Q) mobile and may not be the same as "*your car in terms of size, type, value or status.*"

I'm satisfied Mr Q's policy makes it clear that a hire car might not be exactly the same as his own. And I think the car UKI provided satisfied the terms of the guaranteed hire car plus. So, I don't think UKI acted outside the terms of the policy by not giving him one of the exact same make and model.

salvage

An insurer is entitled to make a reasonable deduction from a claim settlement for the salvage value of a car returned to, or retained by, a policyholder. UKI's said it would deduct £267

from Mr Q's settlement amount if he chose to keep his car. UKI's shown me this is the amount it could have sold the salvage for, so I think it's reasonable for it to deduct that amount if Mr Q keeps his car.

my final decision

I'm aware UK Insurance Limited has made an offer to pay Mr Q £5,400 to settle his claim. I conclude that such an offer is fair and reasonable in all the circumstances. My decision is that UK Insurance Limited should pay Mr Q the £5,400 valuation subject to any policy limits or excesses and deductions for salvage.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 7 August 2017.

Simon Coe
ombudsman