

complaint

Mr S complains about the valuation of his car by AXA Insurance UK Plc, following a claim against his motor insurance policy.

background

Mr S bought his car in June 2015. He took out motor insurance with AXA. Unfortunately, in July 2015, Mr S's car was in an accident. He made a claim under his motor insurance policy.

AXA asked an engineer to inspect Mr S's car. The engineer said AXA should deal with Mr S's car on a total loss basis. He said the trade guides don't list values for cars of this age and type. He valued Mr S's car at £25,000.

Based on the engineer's report, AXA said Mr S's car was a total loss. It offered Mr S £27,000. The engineer met with Mr S and looked at the documents about the history of Mr S's car. AXA increased its valuation to £30,000 and paid Mr S £29,650. AXA treated this as an unrecoverable claim, as the third party's details were unknown.

Mr S said the car was insured for £36,000 and the previous owner had an agreed value policy at £36,500. He said that he was about to return the paperwork for an agreed value of £36,500. Mr S said AXA agrees that his car was a "*one off*". He said it's very difficult to know the true value of the car, as only the chassis is original. Everything else has been replaced with race components, at considerable cost.

Mr S said AXA said it would pay up to the value of the car, if he could provide receipts. He has receipts amounting to almost £120,000. Mr S didn't accept the price he paid is relevant. He paid a reduced price because of the seller's financial situation. He wants AXA to make an offer that reflects the value of his car, based on the receipts he has.

AXA said Mr S's policy remained on a market value basis. That was because Mr S didn't complete the paperwork for a change to an agreed value basis. AXA says it paid Mr S the market value of his car. It says Mr S could get his own independent engineer's report for it to consider.

The adjudicator first thought the previous owner's agreed value policy was for £36,500. After he saw the policy schedule provided by Mr S, he thought it was for £35,000. The adjudicator said AXA accepted the car is one of a kind and in exceptional condition before the accident. That makes valuation difficult. He said the evidence suggests the market value of Mr S's car was £35,000. The adjudicator initially thought the previous owner had an agreed value policy for that amount.

The adjudicator said Mr S says he planned to return the agreed value paperwork, but he didn't, so that's not relevant. He also said the receipts Mr S has aren't relevant. The adjudicator recommended that AXA increase its valuation by £5,000 and pay interest. He also said it should pay Mr S compensation of £250.

AXA didn't agree with the adjudicator. It said the previous owner's policy isn't relevant and the receipts Mr S has are for the upkeep of the car and aren't relevant for valuation purposes. AXA said it based its response on the policy terms and conditions. It said Mr S should get an independent valuation, which it will consider.

AXA said it couldn't accept the adjudicator's view against the opinion of its independent engineer. It said it based its valuation on a review of the build history of Mr S's car and examples of similar cars for sale from £10,000 to £20,000. It wasn't possible to find an exact match, so its valuation also took into account the price paid by Mr S. It later found similar examples for sale from £16,000 to £29,000 and said that, at best, the valuation was £30,000.

my provisional decision

I sent Mr S and AXA my provisional decision in June 2016. I said I thought AXA's valuation of £30,000 was fair.

I said the starting point is Mr S's policy with AXA. In a claim like this one, AXA will pay Mr S the market value of his car. I appreciated Mr S says he intended to return the documents for an agreed value option on the policy. He didn't do that. So, Mr S didn't have an agreed value policy. It's not correct to say that the car was insured for £36,000. That was simply Mr S's estimate of the value of his car.

I said market value is generally the cost of replacing the car with another of the same make and model and of a similar age and condition at the time of the accident or loss. It's not unusual for motor insurance policies to cap the amount it will pay. I thought it was reasonable for AXA to be able to rely on the market value term.

I said our role isn't to provide an exact valuation of Mr S's car. We look at whether AXA's offer was fair and reasonable. We'd usually be guided by valuation of similar cars in trade guides and any reports from engineers. I appreciated that valuation is particularly difficult in this case, as the car's unusual.

The statement of facts document Mr S or his broker completed says the purchase price of the car was £22,000 and the estimated value was £36,000. The initial engineer's report says Mr S bought the car for £27,200 and that Mr S thinks it would cost £37,000 to replace it.

I said the price Mr S paid for his car - whether £22,000 or £27,200 - is part of the information it's reasonable to look at in deciding market value. But it isn't the only factor. That's because other issues can influence the price in an individual sale. Mr S says that the seller was in financial difficulty and needed a quick sale, so he got a bargain price. The estimated value - of either £36,000 or £37,000 - is just that, an estimate.

I didn't think the engineer's initial valuation of £25,000 was particularly well supported or persuasive. I said the receipts of almost £120,000 going back some time for work done on the car don't help me decide whether AXA's offer was fair. That was because some of that expense was for maintenance and repair and not every expense increases the car's value. I didn't think Mr S was suggesting his car was worth anything like the amount spent on it by previous owners over the years.

I said it would be relevant, though not conclusive, if the previous owner had an agreed value policy. It would show the valuation another insurer had previously arrived at, which would be a useful indication of value on a previous date.

I hadn't seen evidence the previous owner had an agreed value policy at £36,500. It seemed that the previous owner estimated the car's value at £35,000. I didn't think it was reasonable to ask AXA to base its valuation of Mr S's car on that. I said if Mr S had any evidence that the previous owner had an agreed value policy, he should provide it. It would be one of a number of factors to take into account in deciding whether AXA's valuation was fair.

I said AXA made its increased offers after looking at other, similar examples of cars for sale. I thought AXA's valuation of £30,000.00 was fair. It's based on a review of the build history of Mr S's car, sale prices of similar cars and the price Mr S paid. I think that was a reasonable approach and led to a fair valuation.

responses to my provisional decision

AXA agreed with my provisional decision. Mr S didn't. He said:

- The engineer's initial assessment was inaccurate and irrelevant.
- AXA said if he could show the value of the car exceeded the value for which it was insured, it would pay that value. He then produced receipts for £120,000. That led to an increased offer of £30,000, which was still well below market value, as confirmed by the receipts.
- The engineers accepted that his car was a "*one off*". No part of the car was without expensive and extensive modifications. It's in a league of one and there's no comparable car. It would cost £80,000 in parts alone to reproduce.
- It's logically flawed to use the comparators AXA used. The price he paid is irrelevant. AXA should have disputed the market value at the time he took out the policy, as the value relates to the premiums.
- The car's now been broken up and the components sold. A comparable engine would be in the region of £30,000-£60,000, a gearbox £14,000 and the seats £500.
- The estimated valuations were way below the value of the car but ensured a reasonable premium. AXA's engineer wasn't unfamiliar with this type of car as he'd built many cars of this nature himself and was impressed with this one.
- The receipts are relevant.
- AXA didn't make an offer based on similar cars.
- The car was underinsured but AXA made a tactical error of saying that if he could show the car was worth more, it would pay more than the insured value.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. It's clear Mr S has very strong feelings about this matter. I've looked at everything that's been said and provided. I trust that he will not take as a discourtesy the fact that I focus on what I consider to be the central issues.

Mr S didn't have an agreed value policy. It's not right to say that his car was insured for a set amount. That means AXA should compensate Mr S for the market value of his car. I have to decide whether AXA's valuation of £30,000 was fair. I remain of the view that it was. I'll now explain why I've come to that view.

Mr S says his car was worth much more than £30,000 and relies on the receipts that show expenditure by previous owners. Against that, AXA relies on the opinion of an engineer – one whom Mr S accepts was familiar with this type of car – and examples of similar cars for sale. I prefer AXA's approach.

I'm not persuaded by Mr S's argument that his car was worth much more as previous owners had spent considerable sums on it. I note Mr S said he was about to return paperwork for an agreed value policy at £36,500. It's not clear to me why he would do that if he believed his car was worth considerably more than that.

AXA wasn't obliged to dispute Mr S's estimated valuation of £36,000 at the time he took out the policy. Mr S's estimated valuation at the outset doesn't mean that AXA has to pay that amount.

Mr S says AXA told him if he could show the value of the car was more than the value for which it was insured, it would pay that value. His car wasn't insured for a particular amount. AXA's obligation was to pay Mr S the market value of his car and what it said doesn't alter that. AXA's valuation of £30,000 was more than Mr S paid for his car but less than he estimated it was worth when he took out the policy. I think AXA's valuation is supported by an engineer. I find it more persuasive than Mr S's assertions and his reliance on expenditure by previous owners.

I do appreciate that Mr S will remain unhappy with this outcome. It's open to him to pursue the matter himself in legal proceedings, where he could call his own expert witness.

my final decision

For the reasons set out above and those set out in my provisional decision, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 August 2016.

Louise Povey
ombudsman