DRN-3392823

The complaint

Miss V has complained about the valuation esure Insurance Limited trading as Sheilas' Wheels paid when she made a claim under her car insurance policy.

What happened

Miss V's car was stolen and she made a claim to her insurer, esure. Miss V said the car had sentimental value, it had been a gift for her birthday, bought from new and had less than 10,000 miles even though it was a 2009 model.

esure paid a valuation of £4,000, increasing it from an initial valuation of £3,800. Miss V provided a valuation from a classic car trader who she said had seen her car before it was stolen. They gave a valuation of £5,000.

Miss V was unhappy with the way esure handled the claim in that it sent her a settlement payment even though she didn't agree with the valuation.

Our Investigator explained that Miss V's policy with esure didn't provide cover for a classic car - as it wasn't – but the mileage was low for a car of that age. So he didn't think it fair or reasonable to rely on the trader's valuation of Miss V's car.

The Investigator checked the main motor trade guides as esure had relied on one of these to reach its valuation. He said that the main guide esure had relied on could only provide a 'live' price on the day, so made it unreliable in reviewing a valuation if the incident was three months before this service reviewed a case. So for this reason he disregarded it.

As it was difficult to obtain a valuation for the exact mileage of Miss V's car, he obtained a bespoke valuation from one of the remaining available motor trade guides for the correct mileage of Miss V's car. Having done so, he found that two of the four guides was out of kilter and so he disregarded them in line with our approach.

Of the two updated guides based on the correct mileage of Miss V's car, the Investigator found the average valuation price was £4,377.50. So the Investigator didn't think esure had reached its valuation in a reasonable way – and recommended esure increase the settlement to this amount adding interest to the difference at 8% a year.

Both parties disagreed. In summary Miss V is unhappy that the valuation provided by the car trader hasn't been given any weight. She says the difference recommended by the Investigator with interest doesn't help to buy a similar car.

esure says the valuation the Investigator disregarded should be taken into account – and when it is, the difference overall to its settlement sum is negligible.

So as both parties disagree, 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.

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

Miss V's policy with esure says the most it will pay in the event of a claim is the market value of the car at the time of loss.

esure looked at four guides which provided valuations of £3,545, £3,790, £4,156 and £4,480. esure says this is why it reached a final valuation of £4,000 as a settlement amount being just above the average of the guides.

The guide esure used of £3,790 was based on a minimum mileage of 20,000. So the Investigator obtained a bespoke valuation from the same motor trade guide for the actual mileage which came to £4,275. When disregarding the guide of £4,156 as explained by the Investigator, this left the valuation guide of £3,545 out of kilter with the revised guides of £4,275 and £4,480.

So in line with our approach, the Investigator thought a fairer way to decide a valuation was to rely on the two guides in kilter with each other and based on the actual mileage. I agree with this approach.

I've looked at the letter provided by a specialist motor trader. It says that in their professional opinion the car's value would be £5,000 due to its excellent condition and low mileage.

I've also looked at the example cars for sale which Miss V has kindly provided. I appreciate that they show a higher 'for sale' price. They do show that the advertised price for cars that are similar – but not identical to Miss V's car – vary widely. Advertised prices are not necessarily a guide of the likely selling price. We find they tend to be based on what the seller believes the car is worth. They also tend to have a margin built in for negotiating the price down. For these reasons, we find the main motor trade guides more reliable as they are based on national research and likely selling prices for a car of the same make, model, condition, age and mileage as Miss V's. So I'm satisfied that in this case the fairest outcome is for esure to pay the difference in line with the Investigator's recommendation.

I understand Miss V is upset that esure paid a settlement when she didn't agree with the amount. But we think it's reasonable for an insurer to pay a settlement even if it's in dispute – so that a customer has funds to enable them to buy a replacement vehicle. It doesn't prevent a customer from disputing the amount or from bringing their complaint to us.

As I find that esure should have paid more than it did, I'm asking it to pay interest on the difference to reflect the time Miss V was without the additional funds. I think this is fair and reasonable.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require esure Insurance Limited to do the following:

- pay the difference in the market value bringing it to a total of £4,377.50.
- esure should pay interest on the difference at a rate of 8% simple interest from the date of the claim to the date it pays Miss V.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 6 May 2022.

Geraldine Newbold
Ombudsman