

The complaint

Mr G has complained about the valuation Covea Insurance plc reached when settling a total loss claim under his car insurance policy.

What happened

Mr G's car was written off and so his insurer Covea settled Mr G's claim as a total loss. It paid the market value for Mr G's car.

Mr G didn't agree with the valuation Covea reached. He provided examples of adverts of similar cars for sale which were advertised for more than the valuation.

Covea didn't uphold Mr G's complaint and said it had paid a fair market value for his car.

Mr G asked us to look at things for him. Our Investigator looked at the main motor trade guides - and thought Covea's valuation hadn't been reached fairly. Taking into account all of the trade guides, she reached an average valuation which was higher than Covea had paid. So she recommended Covea pay the higher valuation. And she thought it should pay Mr G £100 compensation for the distress and inconvenience caused by its decision to pay a lower value.

Mr G accepted the Investigator's recommendations. Covea disagreed. In summary it says one of the guides the Investigator included was out of kilter with the others - and so in line with our approach - it shouldn't have been taken into account. When disregarded, Covea says this shows it paid a fair valuation for Mr G's car.

In response, the Investigator said that the higher guide was in line with adverts Mr G provided for similar cars for sale. And that recently trade guides have told us that cars are selling for close to the asking price. So she didn't think in this case it was reasonable to disregard the higher guide.

Covea disagreed and said it followed our approach. It provided another valuation guide which is much lower. So it wants an ombudsman 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 can look at whether an insurer reached its valuation reasonably and in line with the policy.

Mr G holds a 'market value' standard car insurance policy with Covea. So in the event of a total loss claim, the most Covea will pay is the market value of his car at the time of loss.

Covea looked at the main motor trade guides for the same make, model, age, condition and mileage as Mr G's car. Applying an average of the guides, it reached a total loss (market value) settlement sum of £7,923.66.

The Investigator included another guide valuation which we use and this was higher than the others at £8,968.

Covea said this guide should be disregarded in line with our approach. We generally think it's fair for an insurer to disregard a guide that it is out of kilter with the others - irrespective of whether this guide is much lower or much higher.

However, the higher trade guide in this case closely matches the examples of advertised prices for similar cars to Mr G's at £8,995. And keeping in mind what this service has recently been told about advertised prices being very close to actual selling prices - I don't think it unreasonable to include the higher guide to arrive at an average value here.

The guide Covea sent to us in November 2022 appears to be based on the loss month being November 2022, so I haven't taken it into account.

So I agree with the Investigator's recommendations to put things right in this case. I think Covea should increase the total loss settlement it pays Mr G to include the higher guide in the average sum. It should pay interest on the difference from the date the original settlement was paid to the date it pays Mr G.

I think Covea's decision caused Mr G some distress and inconvenience. For this I think it should pay him £100 compensation. I think this - along with the increase and interest in the valuation sum - is enough to resolve Mr G's complaint.

My final decision

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

- Increase the market value to £8,193.25 as a fair settlement sum for Mr G's claim.
- Pay interest on the difference from the date the original settlement was paid to the date Covea pays Mr G at a rate of 8% simple interest a year.
- Pay Mr G £100 compensation for the distress and inconvenience caused.

Covea Insurance plc must pay the compensation within 28 days of the date on which we tell it Mr G 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 January 2023.

Geraldine Newbold
Ombudsman