

The complaint

Mrs J complains Advantage Insurance Company Limited hasn't offered a fair value for her car following its theft.

What happened

The details of the claim are well known to both parties, so I won't repeat them again here. Instead, I'll summarise the background and focus on the reasons for my decision.

Mrs J insured her car with Advantage under a motor insurance policy.

In August 2023, Mrs J's car was stolen. Advantage offered £24,075 to settle the claim.

Mrs J wasn't happy, so she complained about the valuation. Advantage changed its decision and ultimately offered £26,630 to Mrs J.

Mrs J brought her complaint to our service for an independent review. She said she couldn't replace her car like for like with the amount Advantage offered. This is because she says a replacement costs £29,000. And Mrs J shared a spreadsheet with this service of similar cars advertised by dealerships ranging from £27,449 and £31,990 which had previously been sent to Advantage.

An Investigator at this service looked into matters. They ran their own valuations to verify those obtained by Advantage. The Investigator also obtained two further results from other motor trade guides not used by Advantage of £27,386 and £28,386. Ultimately, they decided Advantage needed to pay more to Mrs J – the difference between the market value of the car based on the highest guide valuations (£28,386) and the amount it paid to her. They also asked Advantage to pay Mrs J interest at 8% on the difference.

Mrs J accepted this recommendation. Advantage didn't agree. It said the final offer made by it was reasonable. And it shared adverts for four cars similar to Mrs J's with a range from £21,999 to £25,299 to show Mrs J could replace her car with a like for like car with this amount.

As an agreement couldn't be reached, the matter was passed to me for a decision.

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.

Having done so, I'm upholding Mrs J's complaint. I'll explain why.

It is my role is to decide whether Advantage has applied the policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on what I've seen, I don't think it has.

Where a car has been stolen, it's usual for the insurer to pay the consumer the market value of the car immediately before the theft. This is what Mrs J's policy provides. It defines the market value as follows.

'The cost of replacing your Car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition. This may not necessarily be the value you declared when the insurance was taken out. Your Insurer may use publications such as Glass's Guide to assess the Market Value and will make any necessary allowances for the mileage and condition of your Car and the circumstances in which you bought it.'

This means Advantage will pay the value of the car immediately before the accident which, here, it determined to be £26,630 after Mrs J raised a complaint.

We use the same trade guides – in addition to two others - to help decide if a settlement offer is fair when valuing second-hand vehicles.

Having done so, I've noted the valuation offered by Advantage is significantly lower than the amount the Investigator has suggested it should pay which is based on the value provided by the highest guide. In this situation, Advantage must show the value it has offered is fair and reasonable. To do this, it sent adverts from several cars, like Mrs J's, with a range in price from £21,999 to £25,299. But I'm not persuaded this evidence is relevant and persuasive in this particular matter. I say this because these are adverts from a number of months after the time of the loss. As we know the market fluctuates, I'm not satisfied this is a true reflection of the market value at the time of loss. Therefore, I've considered the guides obtained by our service, supported by Mrs J's adverts, and find the Investigators recommendation to be fair and reasonable in all the circumstances.

In summary, I'm not satisfied Advantage's offer for the market value of Mrs J's car was fair according to the terms and conditions of the policy. It now needs to put things right as set out below.

Finally, I note Mrs J's comments about the information insurers should give to policy holders with high risk vehicles and how they can proactively reduce this risk. But this isn't something our service can do. We look at individual complaints. The Financial Conduct Authority is the party who regulates insurers and can consider their processes more generally. So, whilst this might be something Mrs J wants to take forward with them, it's not something I can consider in this complaint about the valuation of her car.

Putting things right

Advantage Insurance Company Limited must pay Mrs J the following.

1. The difference between what it paid Mrs J for her car (£26,630) and the highest guide value (£28,386) which I calculate to be £1,756 based on these figures and assuming no further payments have been made to Mrs J since the FRL.
2. 8% simple interest on this amount payable from the date 30 days after Mrs J's claim was made up to the date of actual payment (making an appropriate reduction for interim payments, if any, on the date they were made).

*If Advantage Insurance Company Limited considers it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mrs J how much it's taken off. It should also give Mrs J a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons set out above, my final decision is I uphold this complaint. Advantage Insurance Company Limited needs to do the things set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 15 February 2024.

Rebecca Ellis
Ombudsman