

## **The complaint**

Mr D is complaining about the amount esure Insurance Limited has paid to settle a claim he made on his car insurance policy.

## **What happened**

In April 2023 Mr D's car was damaged when it was hit by a third party's vehicle. He contacted esure to claim for the damage. esure declared Mr D's car a total loss and said it would settle the claim by paying him the car's market value. It valued his car at £1,500. It said it calculated this by reviewing four valuation guides, giving a figure of £2,040. But it then deducted £540 to account for some pre-accident damage to the car, giving a final valuation figure of £1,500.

Mr D didn't think the valuation was fair. He also complained about the general customer service he received from esure. esure didn't agree to increase its valuation, but agreed it could have handled the claim better. So it paid him £200 in compensation for this.

Our investigator upheld this complaint. He didn't think the amount esure had deducted for pre-accident damage was unreasonable, but he thought it had undervalued the car's base value. He reviewed the four valuation guides esure used and also obtained another valuation from a different provider. He said this Service thinks insurers should use the highest of the valuation guides to appraise a vehicle's market value. And he said the highest value was £2,240. So he thought it should pay a further £200.

esure didn't agree with the investigator's opinion. It said its valuation was within the range of the valuation guides, so it still thought it was fair. As esure didn't agree with the investigator, the complaint's 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.

I've decided to uphold this complaint and I'll now explain why.

This service's role isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly. Under the terms of Mr D's policy, esure has to pay him the market value of the car, less his excess.

The market value is defined as *"the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss."*

esure has valued Mr D's car at £1,500. It's said it's valued this by reviewing the main industry valuation guides and then made a £540 deduction for pre-accident damage.

It's standard practice for the industry to use valuation guides to work out the estimated

market value of a car. And it's not unreasonable that it does so. The valuation the guides give are based on the advertised prices of similar cars with similar age and mileage for sale at the time of loss.

Where valuation guides provide a wide range of values, we'd compare the insurer's valuation against the highest values given by the guides, unless there is something to suggest these values aren't a fair reflection of the amount similar cars sell for on the open market. In this case, esure obtained four valuations and this Service obtained a further one. As a percentage, all five guides have a high range between them all. So, in this case, as a starting point I'd have expected esure to look at the highest of the guides (£2,240) as the fairest reflection of Mr D's car's market value, unless it could provide evidence to suggest this is unfair. I've not seen anything to say £2,240 is an unfair reflection of how much similar cars, in good condition, sell for. So I think esure followed an unfair valuation process and it should increase its base valuation by a further £200.

I've also thought about whether it was fair for esure to have deducted £540 for pre-accident damage. In thinking about this, I'm conscious that Mr D's car was 19 years old and had travelled around 94,000 miles by the time the accident occurred. So it's inevitable the car will have suffered a fair amount of wear and tear. And I think esure can only reasonably take into consideration damage that isn't commensurate with the age and mileage of the car. But, in this case, esure has shown that the car had a dent to one of the rear side panels and there was corrosion apparent to both rear panels – arising as a result of pre-accident damage. I think it was fair for esure to take this damage into consideration. esure has also highlighted there were issues with the paintwork on the front left panel. But I think this is commensurate with the car's age and mileage. So I don't think it can reasonably reduce the car's value for this.

esure has estimated that it would cost around £1,150 to fix the damage to the rear panels. However, it's only deducted £540 which is less than 50% of the estimated repair cost, so I think it's a fair deduction.

I note Mr D has also highlighted some customer service issues – notably he had difficulties contacting esure, he found the call handlers rude and he says esure dragged its heels throughout the claim process. But esure has already paid £200 in compensation for this which is in line with what I would have awarded. So I think it's already offered fair compensation for this.

### **My final decision**

For the reasons I've set out above, it's my final decision that I require esure Insurance Limited to do the following to put things right:

1. Pay Mr D a further £200 in settlement of the claim. It should add 8% simple interest per year from the date of the original settlement, until it pays this additional £200. If esure thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax if appropriate.
2. Pay Mr D £200 in compensation for the distress and inconvenience it caused in the way it handled the claim if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 March 2024.

Guy Mitchell  
**Ombudsman**