

## **The complaint**

Mr O has complained that Advantage Insurance Company Limited undervalued his car when he made a claim under his motor policy following the theft of his car. He also complained that Advantage made him forward documents to it more than once throughout his claim.

## **What happened**

Mr O said his car was stolen on 13 December 2022. He made a claim to Advantage who accepted his claim to pay him the market value of his car as it was unrecovered. Mr O said he bought his car in October 2021 from new and he paid £73,897 to the main dealer.

Advantage said that under the policy it was under a duty to pay Mr O the market value of his car. Using two of the available trade guides it valued Mr O's car at £67,530. Mr O didn't think this was enough. He produced an advert from another main dealer who was selling a very similar car to Mr O's but without the electronic towbar for £72,746. So, Mr O said he would accept £71,451. And Mr O said he required Advantage to pay him interest on this given the delays.

Advantage wouldn't agree to this higher price, so Mr O brought his complaint to us. Initially the investigator was of the view that Advantage's valuation was fair bearing in mind the trade guides so he wouldn't be asking Advantage to pay anything more. He also said that as Advantage had apologised to Mr O over its request that he send it documents for a second time, this was sufficient.

Mr O didn't agree. But before the matter was passed to me, this service changed its approach to vehicle valuations. And in the light of that, the investigator produced a second view. The investigator was of the view the market valuation of Mr O's car should be increased to £70,306 given this was the highest valuations of the four available guides used. Neither Advantage nor Mr O agreed so the matter 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.

Having done so, and in line with our new approach to valuations, I'm upholding this complaint along the same lines as the investigator's second view of 5 January 2024. I'll now explain why.

First, I appreciate Mr O said he wished to provide some points for me to consider as far back as his receipt of the first view that the investigator produced in October 2023. I also can see Mr O raised several points on our methodology in dealing with valuation complaints, which the investigator and his colleagues answered for Mr O and on which I will comment below. However, Mr O has never produced anything for me to consider beyond the queries he raised with the investigators and neither did he ask for any extension beyond the final response time given to him being 19 February 2024.

I can also see and understand how strongly Mr O feels about how vehicles and his car in particular should be valued. However, our role is to consider whether the business Advantage adhered to its policy terms and indeed came to a fair and reasonable valuation of Mr O's car. We are not a vehicle valuing service but instead a dispute resolution service. Mr O is completely free to accept my decision or not as he thinks fit. Should he not accept my decision then Mr O is free to pursue his complaint against Advantage elsewhere. My decision is not binding on Mr O or Advantage, unless Mr O accepts it.

In order to consider whether Advantage's valuation was fair, it's necessary for me to consider this service's approach to vehicle valuations. This has recently changed and is fully detailed on our website. I'm mindful that neither Mr O nor Advantage are happy with our approach too. So, in a nutshell our approach is broadly as follows below.

This service has always been of the view that the motor trade guides are the fairest method of assessing the valuation of a car. This is because the valuations are calculated as at the date of loss and the guides show the national selling prices for the relevant car, make and model and whether any extras affect that valuation or not. Please note often such extras don't affect the overall value of a car which also includes warranties or other maintenance type insurance policies. There are presently four guides available, and this service will have regard to all four guides in assessing any insurer's vehicle valuation too. If the guides all give a similar valuation for the vehicle and the insurer's valuation is in line with those valuations, we are likely to agree the insurer's valuation is fair.

If the insurer's valuation is low and/or if guides produce varying values, we do look to see if there is any evidence from the insurer such as adverts or an expert's opinion to show its low or lower valuation is fair. In the event of no such evidence we're likely to say it's fairer for the insurer to pay the highest price from the guides or the highest prices supported by other evidence. If one of the guides is far higher or far lower than any of the others and there is something to suggest it's wrong, we may discount it.

Car valuations isn't an exact science as prices do vary. But as I said this service is not a car valuation service, our role is merely to assess if we think the insurer has been fair in its valuation given its policy terms and the available valuation trade guides.

Advantage's policy defines 'market value' as the following:

*'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.'*

And given there is no dispute Mr O's car was a total loss since it wasn't recovered, the most Advantage is liable to pay Mr O is the market value of his car.

I agree with the investigator that it wasn't reasonable for Advantage to limit itself to only two guides out of the four available. As the investigator explained in his view of 5 January 2024, the highest guide said Mr O's car is worth £70,306 instead of the £67,530 it originally said was the car's market valuation. This is lower than what Mr O said he thought his car was worth which was £71,451. The relevant guides prices were that two guides valued Mr O's car at £67,530, the third at £68,580 and the fourth at £70,306.

Mr O said he obtained his valuation from an approved main dealer website showing a car with a slightly lower mileage than his and without the electronic towbar. That price was £72,746. Mr O said he had appreciated this was the asking price for this car but after looking at the dealership accounts they show this dealership make an average operating margin of 2.7% as of 2021. Therefore, he was of the view that his price of £71,451 was reasonable. However, this is only one advert as against a national average as detailed by the guide quoting the highest price above. Therefore, given this and the fact that the relevant guide used now shows a national average, I think this is key. So, I'm more persuaded that it's reasonable for Advantage to merely increase the valuation to £70,306 instead of the higher price of £71,451 which Mr O wants.

Advantage paid off the finance which Mr O had on his car. And there was a remainder due to Mr O. Advantage asked Mr O for his bank details on 11 January 2023, so it could pay this remainder to him. Mr O responded *'I have outstanding information requested relating to the valuation and the case will be settled by the FOS. Can you escalate the complaint as I am not willing to accept a valuation nearly £60,000 less than you have previously offered? Until this point please do not send any payment in any media. Any attempt will be treated as harassment and intimidation.'* As a side note there was a mistake in the figures here by Advantage and it wasn't offering a sum nearly £60,000 lower at all as it had already paid off the finance company for Mr O.

It's normal for insurers to pay its valuation amount to the policyholder like this even if there remains a dispute on the final valuation figure. This is because such receipt of funds like this does not affect the assessment of the complaint by this service. It also seeks to mitigate the extent of the loss suffered by the policyholder regardless of the ongoing dispute. This service expects the insurer to explain this to its policyholder like Mr O here. I can see that Advantage did this given the contents of its call note to Mr O following its explanation of the error, I detailed immediately above.

From the insurer's point of view, a transfer of funds like this also limits any possible interest that might be due additionally. So, since Mr O was at least offered the remainder of the reduced valuation given his finance company had been paid, I don't consider it's fair and reasonable for interest to be added to any payment to Mr O given the interim payment situation was explained to him. Interest in my view is only added if the insurer wrongly withheld monies due to the policyholder. That's not the case here as Advantage has clearly shown it wanted to pay Mr O its valuation amount. And it explained to Mr O, his ongoing dispute about the amount that valuation should be, wouldn't be affected by him receiving that sum then. I consider there was nothing at all intimidating or underhand by Advantage in offering to pay Mr O these monies at that time. Therefore, as Mr O disputed our investigator's view for the amount that I now think is reasonable, I consider on the balance of probabilities that had Advantage offered a reasonable value, Mr O would still have rejected this payment as he wouldn't have considered that valuation was fair. So, this adds to my view that no interest is payable by Advantage in this complaint.

It's correct that Advantage asked Mr O to supply the relevant documents to it twice. And obviously that was annoying. However, Advantage apologised to Mr O for this in its email to him of 22 December 2022. I consider this is appropriate and sufficient given Advantage explained the attached documents were simply missed from his earlier correspondence. Mr O believes this was a delaying tactic solely to deprive him of a settlement of his claim. I consider it was a simple human error and nothing more.

Mr O raised several issues throughout the time his complaint has been with this service. Many of them relate to service type complaints which have been dealt with separately and do not form part of this decision which is solely concerned with the issue of whether

Advantage's handling of Mr O's claim plus its assessment of the price of the market valuation of his car was fair.

Mr O also raised several issues about how the trade valuation guides work. Given they work on a registration number of the car and the date of loss, the relevant details available given the registration number are duly inputted into the individual guide which then generates the relevant price. As to any other issues concerning how the guides work, I agree with the investigator who said Mr O must direct that to the relevant guide. Our stance is that these guides do generate national selling prices for vehicles and therefore are relevant to consider the market value of a vehicle.

Mr O was also surprised why his complaint had been passed to an ombudsman without him actually requesting this. It was explained to him that our process is that if a party to a complaint disagrees with an investigator's view on the complaint, the matter is then referred to an ombudsman for a decision. It isn't feasible for us to leave complaints open in this way simply waiting for a party to the complaint to decide if they wanted an ombudsman's decision or not. Further it's our statutory duty to provide this two-part complaint process for both parties to any complaint. Therefore, if it's the business disagreeing with an investigator's view, the complaint is then sent to an ombudsman for a decision too. Here given the second investigator's view with Advantage also clearly disagreeing with it, it's right consequently that I should decide this complaint.

So, in conclusion, to get back to the heart of this complaint, which is the market valuation of Mr O's car, I consider it's fair that our new approach to valuations is used here. Given the issues concerning the valuation of second-hand cars, the advert Mr O produced plus the valuations of the trade guides, I consider it fair and reasonable that Advantage should now value Mr O's car at £70,306. Therefore, whatever remains owing to Mr O following Advantage paying off his finance company, should now be paid to Mr O.

### **My final decision**

So, for these reasons, it's my final decision that I uphold this complaint.

I now require Advantage Insurance Company Limited to value Mr O's car at £70,306 and now pay him the amount remaining, given its the settlement of his finance agreement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 20 March 2024.

Rona Doyle  
**Ombudsman**