

The complaint

Mr L is complaining about the amount One Insurance Limited has paid to settle a claim on his car insurance policy.

What happened

In June 2023 Mr L was involved in an accident, so he contacted One Insurance to claim for the damage to his car against his car insurance policy. One Insurance wrote his car off and said it would settle his claim by paying him the car's market value less his excess of £500. And it valued the car at £18,667 based on a review of two valuation guides. However, it also said Mr L didn't tell it about a claim he'd made the year before. So it said it would only pay 76% of the claim settlement.

Mr L didn't agree with One Insurance reducing the claim settlement and he also thought it had undervalued the car. He believes the car was worth around £25,000.

This Service considered Mr L's complaint about the misrepresentation in a separate complaint, so that doesn't form part of this complaint. The investigator upheld Mr L's valuation complaint as she said she would expect an insurer to review valuation guides in assessing a car's market value and then value the car by paying the highest of the guides unless it could provide evidence to say this wasn't fair.

One Insurance didn't agree with the investigator's opinion. It said it followed the approach it believed this Service used to follow by paying the average of the two guides it obtained. And it thought it was unfair that this Service was now applying a new approach retrospectively.

As One Insurance 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 L's policy, One Insurance has to pay him the market value of the car, less his excess.

One Insurance has valued Mr L's car at £18,667. It's said it's valued this by reviewing two industry valuation guides and using the average of the two. Mr L doesn't think this valuation is fair and provided three adverts that he believes support a valuation of around £25,000.

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 – as they do in this case – we'd compare the insurer's valuation against the highest values given by the guides, unless there is something to suggest these given aren't a fair reflection of the amount similar cars sell for on the open market.

In this case, One Insurance obtained two valuations of £16,890 and £20,444. This Service has obtained two further valuations of £18,550 and £19,819. So, given what I've said above, I would have expected One Insurance to have considered valuing the car by using the highest of the four guides – i.e. £20,444 – unless it had something to support that this wasn't a fair valuation. And I haven't seen anything to show that this was the case.

One Insurance has said it's unfair that this Service is applying a retrospective change in approach. But I don't agree. This Service will always consider each complaint on its own merits in deciding what's fair and reasonable. Further to this, this Service has used four valuation guides to assess whether an insurer has acted fairly and One Insurance was aware of this. In this case, One Insurance only used two valuation guides and I think Mr L has lost out as a result. I think, had One Insurance used all four guides, it would have recognised that the lower two values are out of line of the others, so would have disregarded them. Ultimately, I remain of the opinion that I don't think One Insurance followed a fair valuation process and Mr L has lost out as a result of this.

I note Mr L believes the car was worth around £25,000 and I've considered the adverts he's provided. But I think these cars had a lower mileage than his car. So I don't think they were a fair reflection of its market value.

So, taking everything into consideration, I think One Insurance should increase the valuation of the car to £20,444 – i.e. an increase of £1,777. And it should settle the claim accordingly. If it thinks it's entitled to make a deduction on this increase for the misrepresentation, it can do so. As I said above, this Service has already considered Mr L's complaint about One Insurance reducing the settlement because of misrepresentation. So I'm not making any finding in this decision about whether this was fair or not.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint. I require One Insurance Limited increase the valuation of the car to £20,444 – i.e. an increase of £1,777. If it thinks it's entitled to make a deduction on this increase for the misrepresentation, it can do so. It should add 8% simple interest per year from when One Insurance Limited paid the initial settlement until it pays this uplift. If One Insurance Limited thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 11 April 2024.

Guy Mitchell
Ombudsman