

The complaint

Mrs S complains about how U K Insurance Limited (UKI) handled the claim she made on her car insurance policy and the market value applied to her car.

What happened

In July 2023, Mrs S's car was damaged in accident, so she called UKI to claim on her car insurance policy. Mrs S said when she called the 24-hour claims line she was told by the person who answered the phone they no longer dealt with her policy, and she was given another number to call. Mrs S called this number, but it didn't work. As a result, she had no alternative other than to ask the police officer to organise a recovery vehicle for her car.

When Mrs S did speak with UKI she said she was told she'd receive a courtesy car. However, by the time her car had been collected by UKI it said it'd be deemed a 'total loss' so she wasn't entitled to a courtesy car under her policy. UKI valued Mrs S's car using three motor valuation guides and offered her the average of the three guides which was £25,068. Mrs S didn't think this was enough and complained about this and the poor claim handling.

UKI reviewed the complaint and partially upheld it. It said it used the average of three motor valuation guides and had found a comparable car to Mrs S's for £24,998. Because of this, UKI said its valuation was fair. However, UKI agreed it could have been clearer in the information it gave Mrs S about the courtesy car. It also acknowledged the issues Mrs S had reporting the claim and with the service received. As a result, UKI apologised and paid Mrs S £200 for its poor claim handling.

Mrs S didn't agree with UKI and referred her complaint to this Service for an independent review. She said she'd provided six comparable cars to UKI, and the average of those adverts was £25,971. Mrs S also didn't agree the £200 compensation was enough to cover the issues with the poor claim handling. She felt let down by UKI and says she's not confident another customer in her situation would be treated any better.

An Investigator reviewed the complaint and found the four valuation guides we use produced valuations from £24,000 to £25,815. The Investigator also said the adverts Mrs S had provided for cars like hers were around £25,750 - £25,799. Because of this, they recommended UKI pay the highest value produced by the valuation guides of £25,815 and increase its compensation to £300 in total (an additional £100).

UKI didn't agree and asked for an Ombudsman's decision. It said used car prices were coming down and provided adverts for similar cars to Mrs S's which are for sale now and advertised for around £20,000. UKI also provided adverts for newer cars than Mrs S which had similar mileage - now advertised for around £22,000 to £23,000 – which it says shows used car prices are reducing.

As UKI didn't agree with our Investigator the complaint has come 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, I'm upholding Mrs S's complaint. I'll explain why.

It's my role is to decide whether UKI 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 written off as a result of an accident, it's usual for the insurer to pay the consumer the market value of the car immediately before the accident. This is what Mrs S's policy provides. It defines the market value as '*the cost of replacing your car with another of the same make and model and of a similar age and condition at the time of the accident or loss.*'

This means UKI will pay the value of the car immediately before the accident which, here, it determined to be £25,068.

We use the same industry recognised valuation guides as UKI – in addition to one other - to help decide if a settlement offer is fair when valuing second-hand vehicles. Determining the market value of a car isn't an exact science but, by using all four guides, we're satisfied this gives the best picture of the value of a consumer's vehicle.

Having looked at these guides for Mrs S's car, I can see all four guides gave a value (£24,000, £25,249, £25,390, £25,815).

The valuation offered by UKI is lower than the amount the Investigator suggested it should pay, which is based on the value from the highest guide. In this situation, UKI must show its offer represents a fair valuation at the time of loss. I'm not persuaded it has. UKI's offer sits at the lower end of the range, it's under the average and it's less than three of the valuations provided by the guides. UKI sent this service adverts for cars it says are like Mrs S's. However, even excluding those which are for different years and with different specifications, the adverts are from six months after the accident. So, I don't find them persuasive evidence the offer made to Mrs S was a fair reflection of market value at the date of loss.

I've also considered the additional evidence provided by Mrs S which she says supports a higher value. This includes adverts with a range in price which starts from an amount higher than UKI's offer (£25,491, £25,750, £25,799, £26,100, £26,890). Having carefully considered the adverts from Mrs S which were sent to UKI soon after after the loss, I'm satisfied this is relevant and persuasive evidence the highest value from the guides (£25,815) is a fair representation of the market value at the date of loss in this matter.

Therefore, I've considered all the evidence provided – including the guides obtained by our service and UKI as well as the adverts - and find the Investigator's recommendation to be one which is fair and reasonable in all the circumstances. By using the highest of the available guides as a starting point, I'm satisfied Mrs S is being given the best chance of replacing her vehicle with '*another of the same make and model, and of a similar age and condition at the time of the accident or loss*' in accordance with the policy terms. As a result, UKI now needs to put things right by taking the steps outlined below.

It's clear the service from UKI has fallen below the level Mrs S was entitled to expect of it. Taking all the circumstances of the complaint into account, I consider the compensatory

payment of £300 awarded by the Investigator, in addition to the £200 paid by UKI, to Mrs S is a fair and reasonable way to resolve this part of Mrs S's complaint.

I note the points UKI raises about market trends and the general reduction in the prices of used cars. But I don't agree this impacts the market value of Mrs S car. I'm not satisfied I've seen evidence Mrs S would've been able to successfully negotiate a significant reduction in the advertised price of cars the same as hers at the time of loss. Notwithstanding this, four motor trade guides have been used and factor the position of the market at the date of loss into the valuations they give.

I recognise how strongly Mrs S feels about the matter, however, it's important to explain that, as an informal dispute resolution service, our awards are designed to compensate consumers, not punish, or deter, organisations. And we're not able to ask a business to change its processes or consider whether other consumers who haven't complained to our service would be similarly impacted. That would be for the Financial Conduct Authority (FCA) to do as the regulator.

Putting things right

To settle the complaint in this matter, UKI Insurance Limited will need to do the following.

1. Pay £747 to Mrs S, that is, the difference between the market value determined in this matter (£25,815) and amount paid by UKI (£25,068).
2. Pay 8% simple interest* on £747 from the date 30 days after Mrs S's claim was made up to the date of actual payment.
3. Pay an additional £100 distress and inconvenience to Mrs S, making a total compensatory payment of £300.

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

My final decision

My final decision is I uphold this complaint. U K Insurance Limited now needs to take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 26 March 2024.

Rebecca Ellis
Ombudsman