DRN-4629327

The complaint

Mr K has complained about his car insurer, esure Insurance Limited (Esure) regarding a settlement offer it made when his car was declared a total loss (beyond economic repair).

What happened

Mr K had an accident in his car on 27 July 2023. He had bought it the month before for £11,105. Esure felt it couldn't be repaired economically, so settled based on its market value – which it said was £8,223. Mr K didn't think that was fair. Esure said it was the average of three valuations returned by the motor valuation guides – it felt that was fair. Mr K, noting one similar car he'd found for sale was priced at £15,500, complained to the Financial Ombudsman Service.

Our Investigator noted Esure had accurately obtained values from three guides and that it hadn't felt, when calculating an average of all three, that any should be discounted. She noted Esure hadn't provided any evidence, other than the guide values to support that it settling, based on an average of the three, as opposed to the highest, was fair. She wasn't persuaded that the one advert Mr K had provided suggested a valuation, above those returned by the guides, was fair. She said Esure should pay Mr K an additional sum of £1,005, plus interest, making the market value used for settlement the highest of the valuations returned by the guides Esure had used.

Esure said it didn't think the approach of this service – to rely on the highest of the values – was fair, it said that discounted other relevant data produced by the other guides. Esure's customer relations executive said that this car had an extremely high mileage, which meant it was unlikely it would sell for in excess of £9,000. It said that was supported by the other guide values it had obtained, and those found by our Investigator whilst considering the complaint. Esure said that here, using an average of the guides, was the only fair outcome.

The complaint was referred for an Ombudsman's 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.

When Esure consulted the motor valuation guides, they returned values of £7,350, £8,093 and £9,228. None of those seem particularly out of line to me – and I note Esure was happy to use all three when calculating an average value. Although the range between the highest and lowest guide is significant, it doesn't seem fair to look at discounting the highest of the three values only because Esure has now been asked to settle based on that sum. And because Esure obtained these values accurately and closer to the date of loss than our Investigator, it's reasonable to rely on them when thinking about the fairness of the market value Esure applied.

It’s unfortunate that Esure disagrees with the approach adopted by this Service. I can assure Esure that the approach is felt to be fair. And it isn’t fair to say that the highest value is just adopted without any recourse or consideration of other values or evidence. On the contrary, our approach allows insurers, and complainants, to bring evidence to support a settlement based on a different value, and our Investigator did highlight this to Esure during the course of this complaint. However, other than providing comment from its customer relations executive, Esure provided no evidence to support that its market value – based on an average of the three guide values it had returned – was fair.

Comments from Esure’s customer relations executive are not persuasive evidence in this respect. If Esure had wanted to evidence that it had acted fairly it could have presented adverts for cars for sale or perhaps comments from an engineer, for example. Esure’s comments hold no greater weight than Mr K’s – who complained because he felt Esure should pay much more than the highest of the motor guide valuations.

Mr K did provide an advert for a car for sale, which he felt was similar to his. However, that car seems to have done much less mileage. Mileage can have an impact on the selling price of a car, so a car which has covered only about half as many miles doesn’t serve as a reliable indicator of what price a car having done twice as many might sell for. And one advert alone is not enough evidence, of itself, to make me think the guide valuations – based on a volume of gathered sale data, are likely not reliable indicators of the market value for Mr K’s car. Similarly knowing the price Mr K paid for his car the month before the loss – effectively the sale price for just one car – does not make me think the guide valuations are not reliable indicators of market value.

Having reviewed everything, I’m satisfied that it’s fair to require Esure to settle Mr K’s claim in line with the highest of the motor guide valuations obtained. That is £9,228, a difference of £1,005 from the sum it based its initial claim settlement on. Esure should now pay this sum to Mr K, with interest, applied from the date of the original settlement until payment is made.

Putting things right

I require Esure to pay Mr K £1,005, plus interest* applied from 4 October 2023 until settlement is made.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Esure to take off tax from this interest. If asked, it must give Mr K a certificate showing how much tax it’s taken off.

My final decision

I uphold this complaint. I require esure Insurance Limited to provide the redress set out above at “Putting things right”.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr K to accept or reject my decision before 16 May 2024.

Fiona Robinson
Ombudsman