DRN-4638065

The complaint

Mrs A complains esure Insurance Limited hasn't offered a fair value for her car following it being written off after an accident.

What happened

The details of the claim are well known to both parties, so I've summarised the background.

Mrs A insured her car with esure under a motor insurance policy. In July 2023, Mrs A's car was involved in an accident. esure told her, due to the level of damage, her car would be written off. It then offered £3,016 to settle the claim - the average of the three valuations obtained by it from three online motor trade guides (£2,781, £2,846 and £3,420).

Mrs A wasn't happy, so she complained about the valuation offered. She said she can't afford to replace her car with a similar one. esure maintained its valuation offer. As Mrs A didn't agree, she brought the complaint to this Service for an independent review.

An Investigator at this service looked into matters. They ran their own valuations to verify those obtained by esure. The Investigator also obtained a further result from another motor trade guide not used by esure of £2,420. And they decided esure needed to pay £404 more to Mrs A – the difference between the market value based on the highest guides valuation (£3,420) and the amount it'd paid to her (£3,016) – plus interest.

esure didn't agree with the Investigators method of calculating a fair value and referred to the guidance on this Service's website. Mrs A didn't respond to the Investigators view. As an agreement couldn't be reached, the matter was passed to me for a 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.

Having done so, I'm upholding Mrs A's complaint. I'll explain why.

It's my role is to decide whether esure has applied the policy terms and conditions when reaching its market value and 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 A's policy provides. It defines the market value as follows:

> '*The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of a similar age, condition and mileage at the time of accident or loss. This value is based on research from motor*

trade guides including: Glass's, Parkers and CAP. This may not be the price you paid when you purchased the car.'

This means esure will pay the value of the car immediately before the accident which, here, it determined to be £3,016.

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 done so, I've noted the valuation offered by esure is lower than the amount the Investigator has suggested it should pay, which is based on the value provided by the highest guide. In this situation, esure needs to show its offer represents a fair valuation, or that Mrs A can replace her car with a similar one for the amount offered. It hasn't sent this service any evidence to support that a lower valuation point is appropriate.

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, condition and mileage at the time of the accident or loss*' in accordance with the policy terms.

As esure haven't provided any evidence to persuade me a valuation in line with the higher valuation produced is inappropriate, and, to avoid any detriment to Mrs A, this is my starting point. So, considering the overall variation of values produced, and the lack of other evidence provided, I find the Investigators recommendation of market value based on the higher valuation to be one which is fair and reasonable in all the circumstances. As a result, esure needs to put things right by taking the steps outlined below.

Finally, I note esure refers to the guidance on our website. But the guidance is just that – generic guidance based on the wide range of matters this Service may take into consideration in various scenarios and it's not intended to be specific to every case.

Putting things right

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

1. Pay £404 to Mrs A, that is, the difference between the market value determined in this matter (£3,420) and amount paid by esure (£3,016).
2. Pay 8% simple interest* on £404 from the date 30 days after Mrs A's claim was made up to the date of actual payment.

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

My final decision

For the reasons set out above, my final decision is I uphold this complaint. esure Insurance Limited needs to do the things set out above to put things right.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs A to accept or reject my decision before 28 March 2024.

Rebecca Ellis
Ombudsman