DRN-4638174

The complaint

Mr D has complained about esure Insurance Limited. He isn't happy about the valuation of his car after it was deemed a total loss following a claim under his motor insurance policy.

For ease of reading any reference to esure includes its agents.

What happened

Mr D made a claim under his motor insurance policy and his car was deemed a total loss. When esure looked to settle the claim, it offered Mr D what it believed the market value of his car was. But as Mr D wasn't happy about the offer made he complained to esure about this.

esure looked to value Mr D's car after it was written off by looking at three of the various trade valuation guides in order to gauge the market value of his car. It eventually offered Mr D £5,238 for his car which was the average of the valuation guide prices it found. But Mr D wasn't happy about this as he thought his car was worth more than esure had offered, especially as he paid around £1,600 more for the car when he bought it about six weeks before, so he complained to this Service.

Our investigator looked into things for Mr D and upheld his complaint. She also looked at three of the motor trade valuation guides available for Mr D's car from around the time of claim and thought the fairest thing to do in this instance was to pay Mr D the highest of the trade guide valuations found (£6,084). This was because she didn't think esure had provided sufficient evidence to show that a lesser valuation was fair.

As esure didn't agree 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, I agree that this complaint should be upheld. I'll explain why.

This Service has an approach to valuation cases like Mr D's that has evolved in recent times. When looking at the valuation placed on a car by an insurance company I consider the approach they have adopted. And decide whether the valuation is fair in all the circumstances.

It isn't the role of this Service to come to an exact valuation of a consumer's car. But we do look to see if insurers have acted reasonably in looking to offer a fair market value of the car in line with the policy terms and conditions. I pay attention to the various trade valuation guides used for valuing cars. And I look at any other evidence provided by both sides. This evidence might include advertisements for the sale of similar cars. The condition of the car at the time of the incident is also an important factor to consider. And I must emphasise that I will only order a business to increase its valuation if I consider it is unfair.

Valuing second-hand cars is far from an exact science and it isn't my role to value Mr D's car. I'm just looking to see if esure has acted reasonably in providing a fair market value of his car and, overall, I don't think its valuation was fair. I'll explain why.

Ultimately, the policy requires esure to compensate Mr D, the policyholder, for the market value of his car which is defined in the policy. And in assessing what constitutes a fair value we generally expect insurers to review relevant guides to motor valuations – which is also our starting point for most valuation complaints. And so, I've looked at the available guides to assess whether esure's offer is fair and reasonable. I've reviewed the valuation guides are investigator found and they are broadly in line with the valuations esure used and so I'm satisfied that the values gained of £6,084, £5123 and £4,200 are for Mr D's car.

Looking at the valuations produced by the guides, I'm not persuaded that esure's offer of £5,238 is fair. This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. esure's offer sits towards the middle or lower values produced by these guides and one is significantly higher, but it hasn't shown why its offer is fair, or that Mr D can replace his car with a similar one for the amount offered.
In these circumstances, to be satisfied that esure's offer represents a fair valuation, I'd expect to have been provided with other evidence (for example, adverts for cars for sale around the time of the loss or expert reports) to support that a lower valuation point is appropriate. And I'd need to be satisfied that this evidence is relevant and persuasive before accepting that a lower valuation should be used.

While Mr D has shown that he paid more for his car when he bought it six weeks before his claim which I find persuasive. And this certainly leans towards a higher valuation than esure offered. I know Mr D feels that he should just be paid what he paid six weeks earlier as a market value and I can understand that. However, the second-hand used market can move quickly, certainly for a car like Mr D's that can have a strong seasonal impact so I don't think I can say that it would be fair for esure to pay more than the highest trade valuation guide price.

Given there isn't any other evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate, and to avoid any detriment to Mr D, the highest valuation produced by the guides is my starting point. And considering the overall variation of values produced, and the lack of other evidence provided by esure, I consider that a more appropriate fair market valuation would be £6,084. And I think that Mr D should be paid 8% simple interest for the time he has been without the additional money owed.

My final decision

It follows, for the reasons given above, that I uphold this complaint.

I require esure Insurance Limited to pay Mr D £6,084 for his car and 8% simple interest on any shortfall from the date of claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 March 2024.

Colin Keegan
Ombudsman