

The complaint

Miss O complains about the settlement offered by U K Insurance Limited (“UKI”) trading as Churchill for the value of her car following a claim on her motor insurance policy.

What happened

Miss O made a claim on her policy after her car was damaged in an accident. UKI offered her a payment of £4,056 for the value of her car but Miss O wasn’t happy with this and complained.

She said her own enquiries showed the car was worth more than that and she wouldn’t be able to replace her car with something similar unless the payment was increased.

UKI didn’t increase the offer. It did accept there had been some poor service when dealing with the claim and paid compensation of £200 for that.

When Miss O referred the complaint to this Service our investigator said UKI’s offer was fair, as it was in line with valuations from motor trade guides.

Miss O disagrees. She says:

- She has provided her own evidence of what would be a fair value but this has been ignored.
- When she bought the policy she was asked about the value of her car; she wasn’t told about valuation tools which an insurer can use to reduce the value.
- The definition of ‘market value’ in the policy terms gives UKI scope to interpret it in a way that means customers may end up with less than the true value, as happened in her case. She can’t get an equivalent car with the amount offered.

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.

Miss O originally complained to UKI about a number of issues, and UKI paid some compensation to her. The outstanding issue I need to determine concerns the amount offered for her car.

Where a car is not being repaired, the policy terms say UKI will pay the “market value” of the car. This is defined 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.”

The policy terms also explain that the amount offered *“may be different to the amount you paid or any amount you provided when you insured your car with us”*.

Miss O says when she bought the car she was asked what it was worth and wasn't told about tools UKI might use to value it. But the policy terms set out that what will be paid is the market value at the time of loss. This is not unusual and motor policies typically have definitions along these lines.

The aim is to assess the price the policyholder would have had to pay for a similar car at the time of the incident. This is not an exact science and prices will vary from time to time. Generally the most persuasive evidence can be found in motor trade guides.

UKI provided details of the figures it obtained from the guides. And it has offered the highest of those. Our investigator also looked at trade guides and found similar figures.

The valuations in the trade guides are based on nationwide research and likely sales figures, and take account of regional variations. They give a good reflection of the true market value of a vehicle. I appreciate Miss O found adverts for similar cars which showed higher values. But the cars weren't precisely the same and an advertised price isn't necessarily the same as the actual sale price. Trade guides are generally considered a more reliable guide for the reasons I've explained.

UKI offered the highest of the valuations available from the motor trade guides. In the circumstances, its valuation is in line with the policy terms and is fair.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 5 April 2024.

Peter Whiteley
Ombudsman