

The complaint

Miss G complains about how esure Insurance Limited handled the claim made on her motor insurance policy and the market value applied to the car.

What happened

In September 2023, Miss G's car was stolen. Miss G claimed on her car insurance policy with esure.

esure valued Miss G's car using three motor valuation guides (£15,850, £16,290 and £17,701) and offered Miss G £16,070.

Miss G didn't think this was enough to replace her car with a similar vehicle and complained. esure reviewed the complaint but didn't change its offer, so Miss G referred her complaint to this Service for an independent review.

An Investigator reviewed the complaint and found the further valuation guide we use produced a valuation which is higher than esure's (£18,164). Because of this, they recommended esure pay the highest value produced by the valuation guides of £18,164 plus interest. The Investigator also asked esure to pay £100 to Miss G for the distress and inconvenience caused as a result.

Miss G accepted the Investigators recommendation.

esure didn't agree and asked for an Ombudsman's decision. It said the highest valuation was wrong and the next highest is an outlier. This is because the advert evidence supports Miss G being able to buy a car for less than the value produced by the top two guides. Alternatively, as the car had been bought a couple of months before it was stolen, it agreed to consider the price Miss G had paid. The Investigator responded to explain why these points didn't change his view. As esure didn't agree with the Investigators recommendation, 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 this 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 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 stolen, it's usual for the insurer to pay the consumer the market value of the car immediately before the accident. This is what Miss G'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 value is based on cars of the same make and model and of a similar age, condition and milage at the time of the 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 £16,070.

We use three of the same industry recognised valuation guides as esure – 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 Miss G's car, I can see all four guides gave a value (£15,850, £16,290, £17,701 and £18,164).

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 must show its offer represents a fair valuation at the time of loss. I'm not persuaded it has. esure's offer sits at the lower end of the range and it's less than three of the valuations provided by the guides. esure sent this service adverts for similar cars which range from £14,799 to £16,800. But these adverts are from five months after the date of loss. So, I don't find this persuasive evidence the offer it made to Miss G was a fair reflection of market value at the date of loss.

Further, I note there is advert evidence from one of the guides supporting vehicles similar to Miss G's being advertised at the time of the loss close to and above the recommended settlement.

Therefore, I've considered all the evidence provided – including the guides obtained by our service and esure as well as numerous adverts. Having done so, I 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 Miss G is being given the best chance of replacing her vehicle with *'one of the same make, model, age and condition'* in accordance with the policy terms. As a result, esure now needs to put things right by taking the steps outlined below.

The Investigator recommended compensation be paid for the impact of esure's inadequate offer on Miss G and distress and inconvenience it caused. I consider the recommended compensation of £100 to be a fair and reasonable way for it to put things right in all the circumstances. I say this particularly noting the obligations placed on esure under ICOBS 8.1 and industry guidance.

Putting things right

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

1. Pay £18,164 to Miss G less (if applicable) interim payments already made, outstanding premium payments due from Miss G and the excess.
2. Pay 8% simple interest* on the amount due to Miss G under point 1 above from the date 30 days after Miss G's claim was made up to the date of actual payment.
3. Pay £100 compensation to Miss G.

*If esure Insurance Company Limited considers it's required by HM Revenue & Customs to take off income tax from that interest it should tell Miss G how much it's taken off. It should also give Miss G 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 to uphold this complaint against esure Insurance Limited. It now needs to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 2 May 2024.

Rebecca Ellis
Ombudsman