

The complaint

Mr B complained that Aviva Insurance Limited (“Aviva”) valued his car too low when coming to settle his claim under his motor policy following the theft of his vehicle.

What happened

Following a theft claim, Mr B’s car was deemed uneconomical to repair so it offered him a settlement of £21,331 for the replacement of his car. In arriving at the settlement figure Aviva said it took *“into consideration the mileage adjusted figures published by Glass’s Guide, CAP and Parker’s Guide, we have then researched the market-place looking for similar vehicles to confirm the guide figures are a realistic representation of the market”*.

Mr B felt this valuation was too low. He said he’d seen retail valuations in trade magazines for the same car as his that were more than £30,000. Aviva explained it used commonly used industry tools to arrive at the valuation it did, and it adjusted the price as it knew Mr B’s car had previously been written off.

Mr B thought this was unfair, as he hadn’t any idea his car had been written off before and he thought Aviva had charged excessive premiums as he said it would’ve known about this information when the policy was taken out.

Our investigator decided to uphold the complaint. Having reviewed the valuation guides available to our service and adjusting for the previous write-off, he thought a fair settlement would be £23,032 (£1,701 higher than Aviva had offered). Mr B disagreed, so the case has been referred to an ombudsman.

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.

I’ve started by understanding Aviva’s liability under the policy. Aviva are obligated by the terms and conditions of the policy which state *“if your car is...stolen...we will pay you a cash amount equal to the loss”*.

The policy explains further *“the most we will pay will be the market value of your car at the time of loss”*. And market value is defined as *“the cost of replacing your car with one of the same make, model, specification and condition”*.

So, I’ve considered the process Aviva has followed to see if it has met the terms of its policy. I can see it used well known industry valuation guides to assess the value of the vehicle. This is the approach I would’ve expected it to use. Our service has access to these tools, so I’ve also checked the industry guides, and a car of the same make, model and specification. So, I’ve checked to see if I get the same valuations. Having done so, I think a fair valuation for a car in good condition would be around £28,790.

I appreciate Mr B thinks his car is worth more than £30,000 as this is what he paid for it and additionally he's seen some cars advertised in industry magazines. However, our service doesn't find advertised prices to be an accurate way to value cars. We think a fairer way is to use the industry guides which base their valuations on actual sold prices, which will almost always be lower than the advertised price.

I've also noted Mr B says his car had many enhancements. However, when our investigator asked for evidence of these he wasn't furnished with any information or evidence to show Mr B's car did have any enhancements beyond the normal model of his car. Therefore, I don't think it's unreasonable of Aviva to not have added any enhanced valuation to Mr B's car.

Aviva did however reduce its valuation by 20% as there was evidence Mr B's car had been involved in an accident previously and his car had been written off. It's reasonable for insurers to adjust where there is an obvious decrease in value. I think Aviva's reduction here is in line with what our service would expect for a car that has previously been written off. Most people would be deterred from buying full price for a car in this condition.

Therefore, I've applied the 20% reduction to the market valuation of a good-conditioned car, which leads me to a fair valuation of £23,032. As this is £1,701 higher than Aviva reached, I don't think its settlement offer was fair. So, I uphold this complaint. I require Aviva to pay an additional £1,701 to Mr B in settlement (so £23,032 in total). As Mr B has been without this money, Aviva should add 8% simple interest per annum on any outstanding amount from the date of the claim to the date its paid.

I've noted Mr B said he didn't know about the previous write-off, and he thinks Aviva should've alerted him to the fact. He thinks Aviva have taken too much money from him in inflated insurance premiums. I think Mr B is in a difficult position, he's been misled when buying his vehicle when he wasn't aware of the true condition of his car. However, I don't think this is Aviva's fault and I don't think it's fair to blame it.

Insurers won't validate customers' detail until a claim is made. It would be inefficient for them to do so, given so many people don't claim each year. By adding in extra checks at the start of the process, it would add extra overhead to the insurance business and would cause premiums to increase further, which wouldn't be in the interests of consumers. Aviva has used the information provided by Mr B when setting its premiums, so I don't think it has done anything wrong here.

I feel for Mr B here, he's in a difficult position. He's financially worse off. However, apart from the small valuation error, I don't think this is Aviva's fault. Mr B has been victim of a mis-sale. Unfortunately, I don't have jurisdiction to look at this, so if Mr B does want to act against his seller, he'd have to do this through an alternative route.

My final decision

My final decision is that I uphold this complaint. I require Aviva Insurance Limited to pay Mr B:

- An additional £1,701 in settlement of his claim (so £23,032 in total), plus 8% simple interest per annum on any outstanding amount from the date of the claim to the date it's paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 June 2024.

Pete Averill
Ombudsman