

The complaint

Mr M complains that the amount First Central Underwriting Limited, trading as Skyfire (“Skyfire”), offered to settle his motor insurance claim is too low.

What happened

Mr M has a fully comprehensive motor insurance policy with Skyfire. On 20 December 2023, his vehicle was damaged and Skyfire decided it was not economical to repair. Skyfire said it thought Mr M’s car was worth £6000 on the day it was damaged, however, it then agreed to increase this to £6730, less any applicable policy excess. Mr M didn’t accept this sum as he said it was too low.

Mr M complained. Skyfire said its engineer had considered valuations from trade guides and that the amount it offered was above the average of the guides. And it said that it couldn’t always use adverts for sales of similar cars as quite often these are sold for less than the advertised price and that differences in mileage, age, model type and condition can affect the value. Mr M remained unhappy and so brought the complaint to this service.

While the complaint was waiting to be allocated to an investigator, Skyfire increased their settlement offer to £6980, after deduction of the policy excess. Skyfire also agreed to pay 8% simple interest from the date the offer was made (5 February 2024) until the date the payment was made. This offer represented the highest valuation given in the guides. The offer was put to Mr M but he didn’t think this was enough. So our investigator looked into the matter and found that the offer made was fair as it was the highest of the valuations provided by the trade guides.

Mr M didn’t accept this view. He said that the guides give historic values and so doesn’t think this is market value. And Mr M provided details of the searches he had completed online and said it was unlikely he would be able to purchase a similar car for less than £10,000. As no agreement could be reached, 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.

Mr M’s policy wording states that when a vehicle is damaged beyond repair it “will not pay more than the market value of your car at the time of the loss or damage, less the total excesses and any unpaid premium”. And it defines market value as:

“The cost of replacing your car with one of a similar make, model, age, mileage and condition based on market prices at the time of the accident or loss. This may not be the same price you originally paid for your car or the value you declared on the Statement of Fact.”

It is not my role to value Mr M's car. However, I will decide if I think that Skyfire has acted fairly when valuing Mr M's car, considering the circumstances.

There isn't an exact formula or process to follow in order to value a car. Most insurers will use motor trade valuation guides when reaching what they consider as a fair price as these show values for vehicles researched from across the country and sales recent to the loss. I'm persuaded that the use of these guides does provide the most accurate way of valuing a vehicle.

Skyfire obtained valuations from three such guides when reaching its offer of £6980. I can see that it entered the correct make, model, age, and mileage for the car and so I'm satisfied that these valuations were accurate. And I can see that Skyfire's offer is for the highest of these valuations and therefore I think that the offer is fair and reasonable. If Skyfire hasn't already made the payment for the remaining £250 to Mr M it should do so and include the simple interest from 5 February 2024 until the date the payment is made.

I've noted Mr M's comments about the cost of the cars available for sale in the online searches he has completed. This service doesn't usually consider such adverts as reliable sources as these are prices people are hoping to achieve, as opposed to the actual price paid for the vehicle. But I've reviewed the details he has provided, and I can see that the model and age of the cars listed do vary somewhat from the specification of Mr M's car. Some of the cars are a year or two newer than Mr M's vehicle and with larger engines. This will quite often have an impact on the value of the cars and so I'm not persuaded that these adverts are reliable. These therefore don't change my outcome.

Putting things right

If not already done so, Skyfire must pay Mr M £250 which represents the balance between the initial offer made and the last settlement offer provided to this service. It should also include simple interest from the date the offer was made (5 February 2024) until the point the payment is made.

My final decision

For the reasons stated above I'm upholding this complaint. I direct First Central Underwriting Limited to put things rights as detailed above, if not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 May 2024.

Jenny Giles
Ombudsman