The complaint

Mr W has complained about Liverpool Victoria Insurance Company Limited trading as LV. 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.

What happened

Mr W made a claim under his motor insurance policy and his car was deemed a total loss. When LV looked to settle the claim Mr W wasn't happy with the valuation of his car.

LV looked to value Mr W's car after it was written off by looking at a few of the various trade valuation guides in order to gauge the market value of his car. It offered Mr W £3,200, which stemmed from an average of the three guides it looked at and below the highest guide price it found. And it highlighted that it felt there was some pre-existing damage to Mr W's car, so it thought it was fair to make a deduction for this. When Mr W complained to LV about this, as he believed his car was worth more, it maintained its position that its offer was a fair market value, especially given the pre-existing damage to his car.

Our Investigator looked into things for Mr W and upheld his complaint. He looked at four of the motor trade valuation guides available for Mr W's car from around the time of claim and thought the fairest thing to do in this instance was to pay Mr W the highest of the trade guide valuations he found (£3,720). This was because he didn't think LV had provided sufficient evidence to show that a lesser valuation was fair. And he didn't think it was fair to make any deduction for pre-existing damage given the age of Mr W's car.

As LV 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 W's which has evolved in recent times. When looking at the valuation placed on a car by an insurer 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, such as advertisements or details about the condition of the car.

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

Ultimately, the policy requires LV to compensate Mr W, the policyholder, for the market value of his car. The policy defines market value as *'the cost of replacing your car with the same make, model and specification. Age, mileage and condition will be taken into account. We'll* *ask an engineer for advice, use motor trade guides and other sources to determine the market value…'.*

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 I've looked at the available guides to assess whether LV's offer is fair. I have reviewed four industry guides, which gave values ranging between £3,101 and £3,720. And looking at the valuations produced by the guides, I'm not persuaded that LV's offer of £3,200 is fair.

This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. LV's offer sits towards the lower of the values produced by the guides, but it hasn't shown why its offer is fair, or that Mr W can replace his car with a similar one for the amount offered.

In these circumstances, to be satisfied LV'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. I'd need to be satisfied this evidence is relevant and persuasive before accepting that a lower valuation should be used.

However, LV hasn't really produced any adverts in support of its position. But it feels the pre-existing damage to Mr W's car means the value offered is fair and a deduction should be made for this. However, older cars like Mr W's often have some wear and tear and I don't think it would be fair to make a reduction in this instance. If Mr W's car was new or only a few years old then I would accept that a deduction was fair, but I don't think it feels fair in this instance.

As LV haven't provided 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 W, the highest valuation produced by the guides is my starting point. So, considering the overall variation of values produced, and the lack of other evidence provided, I consider that a more appropriate fair market valuation would be £3,720. And LV should pay 8% simple interest for the time Mr W has been without the shortfall as he has been without the money owed.

My final decision

It follows, for the reasons given above, that I uphold this complaint. I require Liverpool Victoria Insurance Company Limited trading as LV to pay Mr W £3,720 as the market value of his car and 8% simple interest on any shortfall from the date of the interim payment until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 30 July 2024.

Colin Keegan
Ombudsman