

## The complaint

Mr C and Miss M complain about the settlement payment U K Insurance Limited (UKI) paid following the total loss of their car, under Miss M's motor insurance policy.

## What happened

Miss M's car was involved in an accident and a claim was made to UKI. It offered to settle the claim for £10,830 as the car was considered a total loss. Miss M and Mr C didn't think this was a fair valuation and complained.

In its final complaint response UKI increased its offer to £11,686. This included consideration of some optional extras and a 5% deduction as the car was a right-hand drive import. UKI also offered £50 compensation for not offering this amount initially.

Miss M and Mr C still didn't think this was a fair reflection of the car's value and referred the matter to our service. Our investigator upheld their claim. She says UKI should base its settlement on the higher of the two valuations it obtained from the industry trade guides. She says it should also add the optional extras adjustment. But that it was fair to deduct 5% as the car was a right-hand drive import.

Miss M and Mr C accepted our investigator's findings. UKI didn't. It provided two adverts for similar cars for sale. It says this shows its offer was fair as both were priced below its offer. Our investigator didn't change her view. She says the mileages weren't comparable and neither had the extras that Miss M and Mr C's car had. UKI thought its settlement offer was fair and asked for an ombudsman to consider the matter.

It 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.

I understand that Miss M and Mr C want the best offer they can get following the total loss of their car. Having read Miss M's policy terms, the policy provides the market value in the case of a total loss. 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."*

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be

persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

UKI obtained valuations from two of the trade guides. I've looked to see that it used the correct mileage, age, make and model of car. The valuations were for £10,180 and £12,650. UKI took the average when offering a settlement payment. However, this didn't include the optional extras Miss M and Mr C had on their car. UKI has since offered an additional payment to account for these options.

In its submission to our service UKI has since explained that it made an error in its option calculations. The total for the armrest, paint, and upholstery options came to £2,183. UKI says the car is worth 43.3% of its original value. So, when multiplied together the options amount to an additional £945. When added to the average of the two trade guide valuations, and 5% is deducted this comes to £11,728. It says its prepared to pay this amount to Miss M and Mr C.

Valuing second-hand vehicles isn't an exact science so we look to see that UKI took a reasonable approach in these circumstances. There is a significant difference between the higher and lower of the valuations UKI used. UKI has sent two adverts showing similar cars for sale to support that its offer was fair. Both of these cars were registered at the same time. But the car advertised at £8,995 has covered around 30,000 more miles than Miss M and Mr C's car. The other car is advertised at £10,999 with similar mileage. However, neither car has the extra options. In addition, UKI hasn't shown that these cars were advertised for sale around the time of Miss M and Mr C's loss.

We're aware that, for a number of reasons, second hand cars are increasingly selling either close to, or for their advertised price. So, we think the best way to ensure a customer receives a fair settlement payment is for the insurer to pay the highest of the trade guide valuations. This is unless it can provide persuasive evidence to show that a lower figure is fair.

I've considered UKI's comments and the adverts it provided. But I'm not persuaded it's fair to pay Miss M and Mr C a lower settlement than the higher of the trade guide valuations. As discussed the examples UKI provided aren't directly comparable. Because of this I think it's fair that UKI bases its settlement payment on the highest trade guide valuation and adds the price of the optional extras. This comes to £13,595. It's fair that it deducts 5% from this valuation. The car is a right-hand drive import. I think what UKI says about this having a negative impact on its value is reasonable. As is the £50 payment it provided for the lower offer it initially made. UKI should pay 8% simple interest on any unpaid amount from the date a settlement was originally made until payment is provided in full.

### **My final decision**

My final decision is that I uphold this complaint. U K Insurance Limited should:

- settle Miss M and Mr C's claim based on a valuation of £13,595 and pay 8% simple interest on any unpaid amount.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss M to accept or reject my decision before 12 July 2024.

Mike Waldron  
**Ombudsman**

