

The complaint

Mr F complains about the settlement payment U K Insurance Limited (UKI) offered following the theft of his car, under his motor insurance policy.

What happened

Mr F's car was stolen. He made a claim to UKI, which it accepted. It offered him £49,093 in settlement. Mr F didn't think this was fair as it wouldn't allow him to buy a replacement vehicle.

In its final complaint response UKI says it took an average of three of the industry trade guides when valuing Mr F's car. It reviewed its settlement figure as a result of his complaint, but it didn't change its offer.

Mr F didn't think UKI had treated him fairly and referred the matter to our service. Our investigator upheld his complaint. She obtained a valuation from another trade guide that valued Mr F's car at £52,956 at the date of his loss. She says UKI should pay this plus 8% simple interest on the unpaid part of the total settlement.

Mr F accepted our investigator's findings. UKI didn't. It referred to similar cars advertised for sale that it says support the settlement payment it offered.

As an agreement wasn't 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.

Having done so I'm upholding Mr F's complaint. Let me explain.

Mr F's 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 three of the trade guides. I've looked to see that it used the correct mileage, age, make and model of car, which it did. We generally refer to four of the

trade guides when looking to see if an insurer has treated its customer fairly. Our investigator obtained a valuation from the remaining trade guide. This gave a value of £52,956. Again, I checked to see that our investigator used the correct information for Mr F's car as well as the correct loss date, which she did.

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. It has since referred to adverts showing similar cars for sale to support that its offer was fair. I've looked at this information. However, this doesn't provide enough detail for me to be satisfied the cars for sale are directly comparable. I've also seen similar cars that are advertised for sale at a higher price than the trade guide valuation our investigator obtained.

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 Mr F a lower settlement than the higher of the trade guide valuations for the reasons already explained. Because of this I think it's fair that it bases its settlement payment on the highest trade guide valuation. UKI should also 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:

- pay Mr F a total of £52,956 including 8% simple interest on the unpaid amount from the date of the initial settlement until payment is made.

*If UKI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr F how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so *he* can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 13 August 2024.

Mike Waldron
Ombudsman