

The complaint

Mr B complains that UK Insurance Limited trading as Churchill haven't given him a fair settlement valuation for his car after it was deemed a total loss.

What happened

In December 2023 Mr B made a claim on his car insurance policy following an accident in which the third art admitted liability.

UKI inspected the car and deemed it to be a Category S total loss. As a result, UKI offered a settlement of £2781.

Mr B wasn't happy with this as he says this is a 38% loss in the value of the car since he bought it 2 years ago. He says it doesn't take into account the service history and low number of owners that make his car more desirable.

Mr B disputed the valuation with UKI but they didn't uphold his complaint, and Mr B remained unhappy so he brought his complaint to us.

One of our investigators has looked into Mr B's complaint and he thought that the valuation figure offered by UKI was fair. Mr B didn't agree and so the case has come to me to review.

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.

Valuation

This service's role isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and taken reasonable steps to ensure a fair valuation was reached.

The terms of Mr B's policy at page 8 outline how a valuation settlement will be calculated when there is a total loss. It says:

"Where damage to your car is covered under your policy, we'll pay the cost of repairing or replacing your car up to its UK market value. This is the current value of your car at the time of the claim. It may be different to the amount you paid or any amount you provided when you insured your car with us."

"Market value" is further defined in the policy 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."

The valuation of a used car isn't an exact science, and its standard practice for the industry to use valuation guides to work out the estimated market value of a car when offering settlements for total loss. We consider this approach to be reasonable as the valuations the guides give are based on national research on likely selling prices of similar cars with similar age and mileage for sale at the time of loss.

To value Mr B's car, UKI obtained the standard retail valuations for the model of car. These were Glass's – £2405, CAP – £2725, and Percayso – £2837. UKI dismissed Glass's valuation as an outlier and offered Mr B the average of the CAP and Percayso valuations which was £2781.

Mr B says that this valuation isn't enough for him to buy a car of the same make and model with similar mileage and condition. He has provided copies of six adverts showing what he believes to be similar cars selling for around £4500 - £5000, which he says are more representative.

I can understand why Mr B is disappointed with this valuation as he has looked after his car and considers that a full service history and fewer previous owners are things that add value to a car.

However, I've reviewed the adverts Mr B has provided and there are only two of the six which are the same model, and only one of those has the mileage stated. That one is being sold for £3695.

So I've then reviewed what the investigator has looked at. I can see that the investigator has found four cars for sale of the same model, engine size, mileage and age as Mr B's for between £2495 and £2750. I have also found similar vehicles available on my own search for within that price range. So, I am satisfied that it is possible for Mr B to replace his car with one of the same make, model, condition and mileage for the settlement offered by UKI.

In view of the above, I consider that the settlement offer made by UKI is reasonable.

My final decision

My final decision is that I'm not upholding Mr B's complaint about UK Insurance Limited trading as Churchill and so they don't need to do anything further

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 August 2024.

Joanne Ward
Ombudsman