

The complaint

Ms N complains about Tesco Underwriting Limited's ("Tesco") valuation of her car following a claim under her car insurance policy.

Ms N's complaint has been brought on her behalf by a representative who I'll refer to as Mr N.

What happened

Ms N says, following an accident, her car was written-off. Ms N wasn't happy with the settlement being offered by Tesco, so she complained. Tesco responded and explained they'd offered £7,091 for Ms N's car. Tesco said Ms N's policy covers her for the market value of her car and, to help assess this, they'd used three motor valuation guides. They said they'd taken the highest valuation and decided to add a depreciated value for optional extras on Ms N's car. Tesco maintained the settlement offered was fair.

Our investigator looked into things for Ms N. He thought Tesco had offered a fair settlement and didn't uphold the complaint. Ms N disagreed so the matter has come to me for a decision.

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've decided not to uphold the complaint. I understand Ms N will be disappointed by this but I'll explain why I have made this decision.

My starting point is Ms N's car insurance policy booklet. This sets out the terms and conditions and says, if Ms N's car is declared a total loss, then Tesco will pay the market value. The policy defines market value as, "*The cost of replacing the car with one of similar age, type, specification, mileage and condition, immediately before the loss or damage happened.*" The dispute here relates to the valuation, so the next point I've considered is whether Tesco acted fairly when carrying out their valuation.

In assessing whether a reasonable offer has been made, we obtain valuations from motor valuation guides. These are used for valuing second-hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research of likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be.

Ms N is unhappy with Tesco's valuation of her car as she thinks it's worth more – particularly as she says cars similar to her car are being advertised for around £1,500 more. I've seen that Tesco reached their figure by using industry recognised tools to find out the market value of the car. They obtained three valuations, Glass's gave a valuation of £6,080, CAP's was £5,695 and AutoTrader was £6,638. Tesco used the highest of these valuations, from Autotrader, and included an additional amount for optional extras, to settle Ms N's claim.

I can see our investigator obtained a valuation using four motor valuation guides. Glass's produced the same valuation as obtained by Tesco, CAP's provided a valuation of £5,900 and AutoTrader provided a valuation of £6,849. Our investigator considered one further motor valuation guide, Percayso - which provided a valuation of £6,987. So, given the settlement offered by Tesco is above the range of valuations from the motor trade guides our service uses, I don't think the £7,091 offered by Tesco for the market value of Ms N's car is unreasonable.

Mr N has provided adverts for cars similar to Ms N's car. In one list provided by Mr N the adverts range in price from £6,470 to £12,950. And in another list the adverts range from £7,000 to £11,500. Mr N has also provided a description of Ms N's car, which includes its pre-incident condition and optional extras, and how this differs from some of the cars shown in the adverts. I wish to reassure Mr N I have carefully considered the adverts and his points, but I'm not persuaded this demonstrates Tesco's offer is unfair. I say this for a number of reasons.

Firstly, the policy terms and conditions require Tesco to replace Ms N's car with one of similar "...age, type, specification, mileage and condition." The adverts provided by Mr N are for cars of similar type and specification to Ms N's car, but not the same age, mileage and condition. For example, there's a car advertised for £8,900 but this has done around 30,000 less mileage. Another car advertised for £10,000 is a year newer and has done around 45,000 less mileage. So, in the circumstances of this case, I'm not persuaded it's fair to go with these adverts alone and that it's unreasonable to go with the valuations provided by the motor trade guides.

Secondly, I can see Mr N has provided photos of Ms N's car and he says it was extremely well maintained, in excellent condition and everything worked as it should. I have taken this into account, but I do need to balance this with the information I've seen from Ms N's car's last MOT. While Ms N's car did pass its MOT, there are some advisories noted for Ms N to monitor and repair if necessary. This includes the nearside and offside rear brake pipe being corroded and the front to rear brake pipes being corroded at the side of the fuel tank. I acknowledge Mr N says the recommendation was that no action was appropriate at the time, and this was agreed by an engineer working for the car manufacturer. I'm not doubting Mr N's account here, and I appreciate these are advisories only, but I don't think it's unreasonable in the circumstances to take this into account when assessing the condition of Ms N's car.

Thirdly, Mr N has referred to optional extras in Ms N's car, and I can see our investigator has taken this into account. Similar to the value of a car, factory-fitted optional extras and post-sale modifications will also likely depreciate over time, and while some optional extras can increase the resale value of a car, some won't increase the price but may make the car more desirable to buy. In this case though, I'm satisfied our investigator has taken into account the optional extras which have increased the value of Ms N's car, but this hasn't evidenced that the market value offered by Tesco is unfair.

Finally, I can see our investigator has obtained some adverts for similar cars to Ms N's car. The adverts range in price from £4,795 to £8,900. There are a number of cars here which are similar to Ms N's car. For example, one for £5,890 which is similar in terms of age, type, specification and mileage. There's another which is advertised at £6,800 which is similar in terms of type, specification and mileage but is a year newer. I do acknowledge Mr N has provided adverts for cars which are priced higher than what Tesco have offered Ms N but, given the market valuations and the adverts I've seen which support the valuations, I think

the market value offered by Tesco would avoid any consumer detriment to Ms N in not being able to replace her car for the settlement being offered.

So, it follows that I think the market value of £7,091 offered by Tesco is fair and reasonable in the circumstances. So, I won't be asking Tesco to take any further steps. I do acknowledge Ms N will be disappointed and I am sorry to hear about the accident circumstances and the impact on Ms N. But my role here is to consider whether Tesco have offered Ms N a fair value for her car. And based on the reasons I've mentioned above, I think they have - and I haven't seen any evidence that persuades me the motor trade guides our service uses to assess whether a fair value has been reached, shouldn't be used here. And given that Tesco's offer of £7,091 is in line with the highest value provided by the motor trade guides, I think they've offered Ms N a fair market value.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 26 July 2024.

Paviter Dhaddy
Ombudsman