DRN-4913774

The complaint

Mr J complains that his motor insurer, esure Insurance Limited ('esure'), undervalued his car after it was declared a total loss. He is also unhappy about the delays in his claim being progressed and wants to be compensated.

What happened

Mr J's car was stolen from his drive on 15 November 2023 and wasn't recovered. esure wrote to him two days after the incident asking for documentation in order to validate the claim which Mr J provided two days later.

esure assessed the claim on 6 January 2024 and offered Mr J £30,770 towards the market value of his car. Mr J didn't think this was enough and asked to speak to a manager. He also said that he wanted esure to pay for the extra costs he incurred in the meantime which included hire charges and car lease repayments. Mr J said he felt a £34,000 valuation was more appropriate. A complaint was raised on Mr J's behalf.

esure responded to the complaint at the end of January 2024. It said in relation to the valuation it relied on valuations obtained using industry trade guides. It said it took the average value between the two highest valuations and reached a figure of £30,770. It said it felt its offer was fair.

On 20 February 2024 esure wrote to Mr J to ask for a settlement figure from his finance company so it could settle the finance agreement, as per its terms and conditions. Mr J provided this on the same day and said that his next payment was due on 1 March 2024 and asked if the matter could be resolved before then. The payment was raised on 2 March 2024.

Mr J then brought his complaint to us. He said that it took esure 12 weeks to make him an offer for his car. This meant that he had to carry on paying the lease payments for his stolen car. He said esure offered him just under £31,000 which he considered to be too low for his car. He said he paid an extra £5,000 towards lease payments and also to hire other cars. He said his re-mortgage application was also impacted due to credit issues this caused.

While the complaint was with us esure offered £150 compensation to Mr J. It said its communication with him could have been better and it could have provided more updates. It also acknowledged that it delayed settling the finance agreement and it also said there was a delay in it assessing the claim.

One of our investigators reviewed the complaint and thought it should be upheld. He thought that based on the trade guides a fair market value would be £32,822. As there was still a shortfall when it came to the finance agreement he acknowledged that esure would make its payment to the finance company. But this would reduce the outstanding balance and the payments Mr J has to make to the finance company. He didn't think esure should be responsible for the other costs Mr J incurred as some were incurred by a company he is the director of and not himself and others he would have incurred in any event. Our investigator thought the £150 compensation esure offered was fair and reasonable.

Mr J agreed with our investigator but esure didn't. It said its valuation was fair and provided adverts it said it had relied on in reaching that valuation. Our investigator didn't consider this to be persuasive evidence as the adverts were not dated. esure said that its engineers consulted these adverts at the time when they arrived at their valuation. Our investigator didn't change his view. He said esure's file didn't indicate that adverts were considered at the time. The matter was then 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.

<u>The policy</u>

Mr J's policy covers him for loss or damage to his car as a result of, among other things, theft. The policy says that esure will either pay to repair or replace what's lost or damaged or the market value of the car.

The policy defines market value as:
""*The market value is the amount you could reasonably have expected to sell your car for on the open market immediately before your accident or loss. Our assessment of the value is based on cars of the same make and model and of similar age, condition and mileage at the time of accident or loss. This value is based on research from motor trade guides…This may not be the price you paid when you purchased the car."*

The policy doesn't provide cover for a courtesy car if the car has been stolen. It also states that if the car is subject to a hire purchase or personal contract purchase agreement, esure will pay the legal owner first (the finance company) and any balance to the customer if the car is stolen or a total loss. There is an optional extra for a hire car but Mr J didn't select this.

<u>The valuation</u>

Our service has an approach to valuation cases like Mr J's that has evolved in recent times. When looking at the valuation placed on a car by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn't value cars. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices.

esure used three of the four motor guides we use. We consulted the remaining guide. The guides esure used produced values of £31,030, £30,511 and £25,950. It discounted the last valuation as an outlier. I've also reviewed the valuation our investigator obtained, and the remaining guide returned a value of £32,822. I think three of the four valuations are fairly close to each other and I, therefore, like esure, considered the lowest (£25,950) to be an outlier.

esure valued Mr J's car at £30,770 which it says is the average value it got from two of the guides. esure has since provided us with adverts in support of its valuation being fair. It says these were consulted at the time when its engineers provided their valuation. As our investigator said these are not dated so it's not clear that the search was done at the time of the incident, so we're not able to consider them. I appreciate esure says it was, but I think if that had been the case, I would have expected this to have been mentioned in its notes. The notes say that only the trade guides were consulted. The values in the adverts range from £24,999 to £28,990. I think if esure had consulted them at the time it would have arrived at a lower valuation than its £30,770. And its notes as well as its final response letter clearly say that the valuation was the average value it obtained from two of the guides.

Even if I were to go on to consider the adverts and agree that they were considered by esure's engineers at the time, I wouldn't consider them to be persuasive evidence of a lower valuation in these specific circumstances, with this particular car. I have looked at adverts for a car of similar make and model as Mr J's with similar mileage and the valuations I found varied greatly (£28,950 and £35,999). And bearing in mind we are now almost a year since the incident, I would have expected the price to have gone down. So, in this particular case I don't think adverts are helpful when assessing the value of this particular car.

Looking at the valuations produced by the guides I'm not persuaded that esure's offer of £30,770 is fair. This is because it is lower than two of the trade guide valuations and it hasn't shown why its offer is fair or that Mr J can replace his car with a similar one for the amount offered. In these circumstances, to be satisfied that esure's offer represents a fair valuation, I'd expect to have been provided with other evidence to support that a lower valuation point is appropriate. And I'd need to be satisfied that this evidence is relevant and persuasive before accepting that a lower valuation should be used. As I said above, I didn't find esure's additional evidence persuasive that a lower valuation should be used.

Given there isn't any other relevant evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr J the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that a more appropriate and fair market valuation would be £32,822. So esure needs to pay the difference between this amount and the amount it paid to the finance company. I appreciate there is still a shortfall when it comes to the finance agreement so this payment will be made to the finance company. This should reduce the monthly payments Mr J is making.

<u>Service issues and additional points raised</u>

Mr J isn't happy about the service he received from esure. esure accepts there were delays in settling the finance agreement and it also accepts its communication with Mr J could have been better and that it could have provided more updates. It has offered £150 compensation which, in the circumstances, I think is fair and reasonable. Mr J has also accepted this.

Mr J said that as a result of the delays he had to hire other cars, he also tried to repair another car so he could use it before he replaced his car in December 2023. As I mentioned above Mr J's policy wouldn't cover him for a courtesy car and he also didn't select the optional hire car cover. So Mr J would have always had to cover those costs himself. Furthermore, as pointed out by our investigator some of those expenses were incurred by a company Mr J is the director of and not by Mr J so they are not his losses. Mr J also mentioned his mortgage application being impacted but I haven't seen any evidence in support of this claim and in the absence of this I am not able to make any awards in this regard. I also appreciate that Mr J had to carry on making his lease payments while waiting for esure to settle the finance. These payments would have gone to the overall balance so I don't think Mr J necessarily suffered any detriment here. I also note that there would have always been a shortfall even if esure had paid the higher £32,822 from the start.

My final decision

For the reasons above I have decided to uphold this complaint. esure Insurance Limited must pay the shortfall between the £30,770 it has paid so far and the £32,822 it should have paid for the market value of the car. As there is still an outstanding balance on Mr J's finance agreement this would have to be paid to the finance company which will reduce the monthly payments Mr J is making at the moment.

esure Insurance Limited must also pay Mr J £150 compensation for the distress and inconvenience it caused him, if it hasn't already. esure Insurance Limited must pay the compensation within 28 days of the date on which we tell it Mr J accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If esure Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr J how much its taken off. It should also give Mr J 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 J to accept or reject my decision before 25 October 2024.

Anastasia Serdari
Ombudsman