

The complaint

Mr S complains about the service he received from UK Insurance Limited trading as Direct Line Insurance ('UKI') when he made a claim under his car insurance policy.

What happened

Mr S held car insurance through UKI. The policy booklet explained in the event of a claim, UKI would pay the cost of replacing the car up to its market value. The definition of 'market value' explained *"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."*

In October 2023, following an incident, Mr S contacted UKI to make a claim on his car insurance policy. UKI provided Mr S a courtesy car while it assessed the claim. The engineers report deemed the car beyond economic repair, and it provided Mr S with a pre-accident value (PAV) of £1,878 to settle the claim. This was determined by using an average of the values from the trade guides it had considered.

Mr S was unhappy with the PAV. He said it didn't take into account the optional extras added to his car or the new engine he'd fitted in 2016. Mr S was also unhappy the courtesy car he was given during the claims process was taken away from him at short notice.

UKI paid Mr S £200 for the poor service provided when dealing with Mr S's claim. But it didn't increase the PAV placed on Mr S's car. UKI also said that it had provided a courtesy car in line with the policy terms and didn't make an error when collecting it. Mr S didn't accept UKI's offer to put things right, and brought his complaint to our Service for investigation.

Following this Service's involvement, UKI agreed to increase the PAV to £1,975, the highest value from the three trade guides it had considered. Our Investigator completed his own searches on the trade guides this Service uses and felt UKI's offer was fair. Our Investigator also felt the £200 compensation offered by UKI was fair and reasonable in the circumstances.

Mr S disagreed with our Investigators findings. He maintained the PAV didn't fairly indemnify him. So, he asked for an ombudsman to consider the complaint.

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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.

Market value

This Service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy correctly and valued the car fairly. Under the terms of Mr S's policy, UKI had to pay him the market value of the car, less the excess.

When deciding whether an insurer has offered fair market value for a car, we usually refer to the trade guides. Mr S has concerns about the validity of the trade guides and the values they produce. But Trade guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been.

There's no exact science to pricing a car but our Service finds the trade guides are a reliable source of determining a fair market value at the point of loss. And we expect insurers to use trade guides (where possible) when valuing a car for claims purposes. And because of the recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price. So, we think it's fair for an insurer to pay the highest of the values returned by the guides.

I've checked the guides which are commonly used when considering motor valuation claims with the inclusion of the optional extras Mr S told UKI about. This included reviewing a bespoke valuation based on the specification of Mr S's car. The result of this didn't show the optional extras made a material difference in the value of Mr S's car above the valuations UKI obtained. So, I'm satisfied the values UKI returned from the trade guides are reflective of the value of Mr S's car at the point of loss. UKI has now offered the highest value returned from the trade guides. I'm satisfied this offer is fair and reasonable in the circumstances.

I've considered the adverts provided by Mr S in support of his claim. I find the most persuasive adverts to be ones Mr S sent to UKI around the time of the incident as these are more reflective of the market value at the date of loss. Some adverts Mr S sent to UKI are no longer available. One of the adverts shows a car with the same specification as Mr S's car but with considerably lower mileage. I'm satisfied that mileage is a significant contributing factor when determining what a fair and reasonable market value should be based on. Because of the significant lower mileage, I don't agree that this is a comparative example that can be relied upon.

The other adverts provided by Mr S show cars with different specifications and vary in registration and mileage. I'm satisfied all of these would make a difference to the market value, albeit to a varying degree. Thinking about the market value offered by UKI, against the adverts Mr S has provided, I'm satisfied UKI's offer is fair and reasonable and in line with the policy terms.

Mr S also says he replaced the engine in the car which will increase its value. I do accept that a replacement engine could have an impact on the value of a car if it was involved in an incident shortly afterwards. In this case, Mr S's engine was replaced in 2016. I'm unsure of the reasons as to why Mr S replaced the engine in his car but it's a requirement to make it roadworthy. On balance, I'm not persuaded that the replacement engine would noticeably increase the market value of Mr S's car seven years after the replacement was fitted.

Customer service

Mr S says the hire car he was provided with during the claims process was removed at short notice leaving him in a difficult position. The policy booklet explained if the car is written off, UKI will "...provide you with a **hire car** for whichever is the shortest of these two periods:

- *Up to 21 days in a row.*
- *Up to 5 days after our first (or only) payment has been issued to settle your*

claim.”

UKI provided Mr S with a hire car on 16 October 2023. It notified Mr S on 9 November that it would be collected the following day (although it wasn't actually collected until 13 November). I don't think the way UKI communicated things with Mr S is unreasonable as it gave him a period of notice before the hire car was collected. In addition, Mr S had use of the hire car over and above what the policy sets out. So, I don't agree UKI has acted unreasonably in the circumstances.

UKI accepts the overall level of service it provided during the claims process was poor. And it meant Mr S had to contact UKI several times unnecessarily. I recognise UKI's lack of communication would have caused some additional trouble and upset, over and above what I would expect to see in a normal claims process. But I'm satisfied the £200 compensation offered fairly reflects the impact UKI's actions had on Mr S and is in line with what I would direct in similar circumstances.

My final decision

For the reasons explained above, my final decision is I uphold this complaint. I direct UK Insurance Limited trading as Direct Line Insurance to pay Mr S:

- £1,975 for his damaged car; and
- Simple interest on the difference between the original amount offered, and the final settlement amount at a rate of 8% per year* from the date the original offer was made until the date of settlement. And;
- £200 for the trouble and upset.

*If UK Insurance Limited trading as Direct Line Insurance considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr S how much it has taken off. It should also give Mr S a certificate showing 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 S to accept or reject my decision before 23 October 2024.

Adam Travers
Ombudsman