

The complaint

Mr E is unhappy with the service provided by esure Insurance Limited (esure) following a claim he made on his car insurance policy.

What happened

Mr E held car insurance through esure. The policy booklet explained in the event of a valid claim, esure “*won't pay more than the **market value of your car at the time of loss, less the total excess payable.***” The policy defines market value as “*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 a similar age, condition and mileage at the time of accident or loss...*”

In July 2023, following an incident, Mr E contacted esure to make a claim on his car insurance policy. esure accepted the claim and attempted to arrange an approved repairer to inspect Mr E's car. But it wasn't able to. It asked Mr E to locate a garage to inspect his car, which he did. The engineers report deemed the car beyond economic repair and placed a category N on the car. esure initially provided a pre accident value (PAV) of £38,094. It said this was determined by using the values returned from the valuation guides it had considered. But Mr E didn't accept esure's offer. He said esure had used the wrong model of car when it used the guides so the PAV was lower than what it should have been. esure reconsidered things and accepted it had made a mistake. It revalued the car using the correct make and model and increased the PAV to £43,898.

Mr E complained to esure. He said the PAV offered (£43,898) didn't fairly reflect the market value of his car at the time of loss. And he was unhappy with the overall service he received throughout the claims process. esure acknowledged the service it provided to Mr E was poor so it paid him a total amount of £750 in compensation for the trouble and upset it had caused. esure also agreed Mr E wasn't given a courtesy car whilst it inspected his car. So it paid him a further £750 for the inconvenience it had caused him. Mr E remained unhappy and referred a complaint to this Service.

Our Investigator reviewed this complaint and found in Mr E's favour. He said esure's valuation didn't fairly reflect the PAV of Mr E's car and esure should increase its offer to £53,040, the highest value of the valuation guides esure had used. Our Investigator also felt the service esure had provided to Mr E during the claims process had fallen short. So he said esure should pay an additional £250 in compensation and any reasonable costs Mr E can evidence due to not being provided with a courtesy car.

Mr E accepted our Investigator's findings but esure disagreed. It maintained it had valued the car fairly. So it asked for an Ombudsman to consider the complaint.

I issued a provisional decision on Mr E's complaint. This is what I said about what I'd 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 E's policy, esure 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 valuation guides. Valuation 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. And we consider it good industry practice for insurers to use valuation guides (where possible) when valuing a car for claims purposes.

In September 2023, esure decided to treat Mr E's claim as a total loss. So it used the valuation guides to determine the market value of Mr E's car. It acknowledges the valuations it obtained were based on the wrong make and model. So in December 2023, it revalued Mr E's car using the valuation guides, using the correct make and model to determine the PAV. The values it obtained were £41,580, £43,213 and £46,880 respectively. esure used the average of the three values it had considered and valued Mr E's car at £43,898.

I've considered the valuation guides esure used when it determined the PAV of Mr E's car. One of the values it obtained in September 2023 (when it first valued Mr E's car) was based on the correct make and model, which gave a value of £53,040. So I've considered that valuation, as well as the valuations esure obtained in December as part of my decision. I've also looked at the valuation guides this Service would usually refer to when dealing with complaints about market valuations, which included a fourth valuation from a different guide to what esure considered. This gave a value of £47,689 for Mr E's car.

Given the recent competitive market for second-hand vehicle sales, this Service feels it's fair to rely on the highest valuation returned by the motor valuation guides. That is unless the insurer can show there is good reason to think a lower value/its value is fair.

Here the highest valuation returned by the guides is £53,040. But this valuation seems significantly higher than the values provided by the other guides, So, I think this valuation is an outlier. And as this Service usually agrees it's reasonable to discount valuations that are outliers, I think this should be discounted as I don't think it fairly reflects the PAV of Mr E's car. The next highest valuation produced by the guides is £47,689.

esure has provided adverts showing similar cars to Mr E's to support the PAV it offered to Mr E is fair. I've carefully considered these. I've seen most of the cars have significantly lower mileage than that of Mr E's at the point of loss. I'm satisfied mileage is a significant contributing factor when determining what a fair and reasonable market value should be based on. Because of the significantly lower mileage of the adverts esure has provided, I don't agree these are comparative examples that can be relied upon. Taking everything into consideration, I think the guide value of £47,689 is more reflective of the market value than the PAV esure offered Mr E to settle the claim. So I'm minded to say esure should settle Mr E's motor insurance claim based on the valuation of £47,689 minus the policy excess.

Customer service

esure accepts Mr E didn't have use of a car due to its delays throughout the claims process. And it offered Mr E £750 in compensation in recognition of him being without access to a car due to these delays. Mr E says he had to take out a personal loan of around £33,000 to cover his expenses during the claims period as a direct result of esure's actions.

Although Mr E has sent this Service evidence of the loan, I've not seen any supporting documentation to show what exactly the loan was for. Or that it was the direct result of esure's handling of things that led him to take it out. I'm therefore not satisfied the loan Mr E arranged is the result of esure's actions. So I don't intend to ask esure to cover these costs.

I understand Mr E had some use of a second car during the claims process, which has limited the impact esure's actions had on him. And as I've not seen any evidence of any direct loss incurred to Mr E as a result of esure's delays in settling matters, I think the £750 offered by esure fairly reflects the inconvenience of him not having use of his car during the claims process.

I have sympathy for Mr E's complaint about the delays in progressing the claim and the poor communication from esure throughout. Mr E is particularly unhappy about esure's failure to respond to his emails, the PAV it offered and the delays in settling the claim. I haven't detailed everything here – but I've considered everything Mr E has said about the impact on him. esure says the delays in settling the claim were outside its control. And it was waiting on some documentation from Mr E to settle the claim. It says it isn't responsible for the delays in paying Mr E the settlement of his claim.

But esure's failure to correctly value Mr E's car at the outset and its lack of communication throughout the claim caused undue trouble and upset to Mr E over and above what I'd expect to see during a normal claims process. esure accepts it let Mr E down. But I don't think the compensation of £750 esure offered Mr E (in addition to the £750 loss of use payment it made) fairly reflects the impact esure's actions had on him over an eight month period. I consider Mr E has been caused significant frustration and stress over a long period of time. So I think esure should increase the level of compensation by a further £250.

Mr E appointed solicitors to represent him on this matter. Whilst I acknowledge Mr E may have felt this was necessary, I've not seen any evidence Mr E was required to have professional representation in his dealings with esure about his claim. I'm satisfied this was a decision Mr E decided to take and as such it wouldn't be reasonable to expect esure to pay for the costs Mr E has incurred for this. It follows, I'm not minded to direct esure to cover the costs of the solicitor's fees Mr E incurred.

Putting things right

For the reasons set out above I intend to uphold this complaint. I intend asking esure Insurance Limited to settle the claim as follows:

- 1) Settle Mr E's motor insurance claim based on the valuation of £47,689 minus the policy excess.
- 2) Pay interest of 8% on £47,689 from 7 September 2023 (the date esure originally offered Mr E the PAV) until the interim payment was made in March 2024.
- 3) Pay interest of 8% on the difference between the interim payment esure made in March 2024 and the final settlement amount (being a total valuation of £47,689) to the date of payment.

4) *Pay Mr E a total amount of £1,750 in compensation.*

**If esure Insurance Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr E how much it has taken off. It should also give Mr E a certificate showing if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

My provisional decision

I am minded to direct esure Insurance Limited to settle Mr E's complaint as detailed above.

The responses to my provisional decision

I invited both esure and Mr E to respond to my provisional decision.

esure accepted my provisional decision. Mr E disagreed. I've summarised his comments below.

- Mr E says the value of £47,689 isn't a fair valuation for his car. He says esure should pay him the highest of the values obtained by the trade guides in settlement of the claim.
- Mr E says he told esure he wanted to retain the salvage of his car. But that didn't happen. Instead, it sold the car without his knowledge. He doesn't think the level of compensation I said I was minded to direct esure to pay fairly reflects the trouble and upset caused.
- Mr E maintains esure's failure to effectively communicate with him throughout the claims process meant he had no choice but to appoint solicitors to represent him on the matter. He says esure should cover the costs of the solicitor's fees he incurred.

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.

Mr E says esure should pay him the highest value returned by the trade guides in settlement of his claim. But this valuation is significantly higher than the values provided by the other guides. So I consider it an outlier. This Service usually agrees it's reasonable to discount valuations that are outliers. And as I've seen no compelling evidence to demonstrate why the highest value returned by the guides is fair market value for Mr E's car, I'm satisfied the next highest value of £47,689 is more reflective of the market value. It follows, I direct esure to pay Mr E £47,689 in settlement of the claim minus the policy excess.

I've read Mr E's comments about how esure's handling of the claim impacted him. I won't detail everything here but I appreciate his point of view that esure didn't offer him the salvage of his car after he said he wanted to repair it. And I accept it must have come as a shock and disappointment for Mr E to discover his car had been sold without his knowledge.

It's apparent to me from the evidence provided that communication was poor throughout the claim. I say this because there were numerous times on which Mr E contacted esure for updates when these should have been provided pro-actively by it. And I can see Mr E emailed esure multiple times without a response. esure's failure to adequately communicate with Mr E meant he was unaware retaining salvage of his car was no longer an option and his car had been sold, which caused undue trouble and upset to Mr E.

Taking into account the various aspects of this complaint and the significant trouble and upset Mr E experienced as a result of the delays and poor service, I'm satisfied £1,000 compensation to be fair and reasonable. That's because it recognises the substantial distress, upset and serious disruption esure's actions caused to Mr E's daily life over a sustained period. Mr E hasn't provided any further evidence to demonstrate any additional loss he incurred due to not having use of his car during the claims process. So, I maintain the £750 esure offered him fairly reflects the inconvenience of Mr E not having use of his car during the claims process. It follows, I direct esure to pay Mr E a total amount of £1,750 in compensation.

I appreciate Mr E's explanation as to why he appointed solicitors to represent him during the claims process. But I maintain my position that I've not seen any compelling evidence Mr E was required to have professional representation in his dealings with esure. Mr E was entitled to make that decision but it wouldn't be reasonable for me to direct esure to pay for the costs Mr E has incurred for this. So I'm not requiring esure to take further action.

Putting things right

For the reasons detailed in my provisional decision and as above I uphold this complaint. esure Insurance Limited is directed to settle the claim as follows:

- 1) Settle Mr E's motor insurance claim based on the valuation of £47,689 minus the policy excess.
- 2) Pay interest of 8% on £47,689 from 7 September 2023 (the date esure originally offered Mr E the PAV) until the interim payment was made in March 2024.
- 3) Pay interest of 8% on the difference between the interim payment esure made in March 2024 and the final settlement amount (being a total valuation of £47,689) to the date of payment.
- 4) Pay Mr E a total amount of £1,750 in compensation.

*If esure Insurance Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr E how much it has taken off. It should also give Mr E a certificate showing if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons provided I uphold this complaint. esure Insurance Limited must follow my direction as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 December 2024.

Adam Travers
Ombudsman