

The complaint

Mr I complains about Royal & Sun Alliance Insurance Limited's ("RSA") valuation of his car following a claim under his car insurance policy.

What happened

Mr I says, following an accident, his car was written-off. Mr I wasn't happy with the settlement being offered by RSA, so he complained. RSA responded and explained they offered Mr I £31,840 (less policy excess and less £50 for no MOT) for his car. RSA referred to the policy terms and conditions and said they use the market value of a car to settle a claim. They said they'd used three motor valuation guides which produced an average valuation of £30,527 – but in this case they decided to offer a settlement in line with the highest valuation of £31,840. They said, on this basis, they believe the settlement offer was fair.

After considering all of the evidence, I issued a provisional decision on this complaint to Mr I and RSA on 20 February 2024. In my provisional decision I said as follows:

"My starting point is Mr I's car insurance policy document. This sets out the terms and conditions and says, if Mr I's car cannot be economically repaired, RSA will pay the market value. The policy defines market value as, "The cost of replacing your car with a car of the same make, model, specification, mileage and age, in the same condition as your car was immediately before the loss or damage you are claiming for." The dispute here relates to the valuation, so the next point I've considered is whether RSA 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.

Mr I is unhappy with RSA's valuation of his car as he thinks it's worth more – particularly as he says cars similar to his are being advertised for between £36,000 to £37,000. I've seen that RSA 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 £31,840, CAP's was £31,250 and Parkers was £28,490. RSA used the highest of these valuations, from Glass's, to settle Mr I's claim.

I can see our investigator obtained a valuation using four motor valuation guides. Glass's and CAP's produced the same valuation as obtained by RSA. Our investigator considered two further motor valuation guides - AutoTrader which provided a valuation of £34,095 and Percayso which provided a valuation of £33,133. So, while the settlement offered by RSA is within the range of valuations, I don't think this leads to a fair outcome in the circumstances of this case.

I say this because the Glass's valuation, which was used for the settlement, is lower than both of the additional two valuations obtained by our investigator. The difference between the Glass's valuation and the highest valuation, provided by AutoTrader, is £2,255 which represents a difference of around 7%. So, given the settlement amount being offered to Mr I, I think in the circumstances of this case, this represents a significant amount. I'm further persuaded it was unfair for RSA to use the Glass's valuation to settle Mr I's claim as they've provided adverts for similar cars which show price ranges higher than what they've offered Mr I. RSA have provided adverts for five cars similar to Mr I's car showing prices ranging from £32,580 to £33,991. All five cars here are priced higher than what Mr I has been offered. RSA have provided further adverts showing prices ranging from £26,860 to £29,990. But I've discounted these as they don't meet the specification of Mr I's car to the extent that the other adverts do.

I can see Mr I has also provided adverts showing prices ranging from £36,500 to £37,359 for similar cars. I have carefully considered these, but I'm more persuaded by RSA's adverts for the reasons stated above. And as the adverts are in line with the valuation guides, I'm satisfied the fairest valuation for Mr I's car would be to rely on the guides.

So, I've thought about what a fair valuation would be in the circumstances of this case. I acknowledge our investigator says RSA's offer is between the highest and lowest of the motor valuation guides – and I accept that is the case. In this case though, I think there's a wide range of values when comparing the four motor valuation guides used by our investigator. The difference between the highest and lowest is £2,845 – which is around 9%. So, I believe there's a risk of detriment to Mr I if an average is used in this case.

When reviewing the motor valuation guides obtained by our investigator and the adverts provided by RSA, I'm more persuaded that the fair and reasonable outcome in the circumstances of this case is for RSA to pay the highest of the four valuation guides we use. I say this because it's supported by the adverts provided by RSA with the £34,095 valuation being broadly consistent with the higher end of the advertised prices they provided. And when considering Mr I has provided adverts for cars advertised for more money, while I'm not persuaded by them, I do think the fairest valuation is to go with the highest guide. I say this because it means Mr I is more likely able to replace his car with a similar one. So, I think this valuation would avoid any consumer detriment to Mr I in not being able to replace his car for the settlement being offered.

The information shows that when RSA originally valued Mr I's car they noted there was no MOT, so they deducted 5% of the market value. Around this time, they agreed for Mr I to retain his car in exchange for a salvage value of £10,965 – which would be deductible from any settlement figure. RSA then acknowledged there had been an error in applying a 5% deduction and deducted £50 for the lack of MOT instead. With the change in the valuation, this increased the salvage amount to £11,762.

However, RSA agreed to maintain the original salvage value at £10,965 meaning the settlement amount received by Mr I was £797 higher than it should've been. Given this is an amount which I can't say is unreasonable for RSA to deduct, I think it's fair in all the circumstances for RSA to deduct the £797 from the £34,095. This means the settlement amount should be £33,298.

Therefore, RSA need to pay Mr I a total of £34,095 as the market value for his car, subject to the remaining policy terms. As mentioned above, RSA can deduct £797

from this amount as they should've increased the salvage figure. I can see a settlement of £31,840 (subject to deductions) has already been paid, so RSA should pay the additional amount of £1,458 to Mr I. As Mr I hasn't been in receipt of this money sooner, RSA should also add 8% simple interest per year to the additional amount they pay Mr I."

So, subject to any further comments from Mr I or RSA, my provisional decision was that I was minded to uphold this complaint and require RSA to pay an additional £1,458.

Following my provisional decision, Mr I hasn't provided any further comments. RSA have responded to say, while they don't agree with my findings, they won't be challenging my decision and will accept it.

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 see no reason to depart from my provisional decision. So, I've decided to uphold the complaint for the reasons set out in my provisional decision and copied above.

Although RSA say they will accept the decision, they say the adverts for the cars, ranging from £32,580 and £33,991, show lower mileage when compared to Mr I's car. They also say some of these cars come with 24-month warranty and 12 months MOT – which wasn't the case with Mr I's car. I have considered the points made by RSA, but they don't persuade me they've reached a fair market valuation for Mr I's car. I've mentioned in my decision the reasons why I think it's fair and reasonable in the circumstances of this case for RSA to pay the highest of the four valuation guides we use.

Putting things right

I've taken the view that RSA haven't offered Mr I a fair valuation for his car. So, RSA should pay Mr I the difference between their valuation of £31,840 and a valuation of £34,095. Deducting the additional salvage figure of £797 from this, arrives at a settlement amount of £33,298. So, RSA should pay Mr I the difference of £1,458. RSA should also add 8% simple interest per year on the additional settlement amount from the date they made the original payment to the date of settlement. RSA should provide Mr I with a certificate showing any taxation deducted.

My final decision

My final decision is that I uphold the complaint. Royal & Sun Alliance Insurance Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 17 April 2024.

Paviter Dhaddy
Ombudsman