

The complaint

Mr L complains about Markerstudy Insurance Company Limited (MIC), and the valuation placed on his car after it was deemed a total loss following a road traffic accident.

What happened

Mr L held a motor insurance policy, underwritten by MIC. Unfortunately, in July 2022, Mr L was involved in a road traffic accident. And the damage his car sustained was so significant that it was deemed a total loss. Mr L initially pursued his claim through the third-party insurer (TPI). But Mr L was unhappy with the valuation the TPI placed on his car and so, he returned to MIC to pursue a claim through his insurance policy directly.

As Mr L's car had been deemed a total loss, MIC instructed their in-house engineer, who I'll refer to as "A", to calculate the car's pre-accident value (PAV). A obtained trade guide valuations from three different trade guides and calculated an average valuation of £11,199. A then added an additional £469 to this amount, to account for the additional extras included with the car, resulting in a total PAV payment of £11,668 being offered to Mr L. But Mr L was unhappy with this offer, so he raised a complaint.

Mr L didn't think this PAV payment allowed him to purchase a replacement car of a similar make and model, based on the advertisements he'd found on Autotrader. And he thought A had agreed with this, and the unfairness of it, in a phone conversation he'd held with them. So, Mr L wanted MIC to increase the PAV payment to £14,500, to place him back in the position he felt he was in before the accident. And he wanted to be compensated for the upset he'd been caused.

MIC responded to the complaint and didn't uphold it. They thought the PAV payment offered to Mr L was a fair one, calculated in line with the policy terms and conditions and standard industry approach. And they didn't think the conversation between A and Mr L impacted this. So, MIC didn't think they needed to do anything more. Mr L remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. They explained they had used the three trade guide valuations obtained by MIC, plus a fourth they had obtained from Autotrader, and they were satisfied the £11,199 valuation, before additional extras were considered, fell in line with these. And they thought the way A, and so MIC, had considered the additional extra's worth was a fair one. So, our investigator thought the total PAV payment of £11,688 MIC offered to Mr L was a fair one, that had been calculated in line with standard industry approach. And because of this, they didn't think MIC needed to do anything more.

Mr L didn't agree. He accepted A's valuation had adhered to the trade guides. But he didn't think the valuation these guides provided were fair, and that they didn't reflect real world prices to replace his car. And he referred to the opinion of his car dealer, and that of A, who he felt both supported his belief that the PAV payment should be increased. As Mr L didn't agree, the complaint has been passed 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'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr L. I recognise he took an insurance policy with MIC to ensure he was protected financially in a situation such as the one he found himself in. So, when Mr L received the PAV payment offered to him by MIC, and he didn't think this amount allowed him to purchase a car of a similar make, model, and specification, I can understand why he'd feel as though he'd been unfairly treated. And I can understand why he'd want this offer to be increased, to place him back in the position he would've been in before the accident occurred, which I also recognise happened through no fault of his own.

But for me to say MIC should increase the PAV payment offered to Mr L, or do something else like pay additional compensation, I first need to be satisfied they did something wrong. So, I'd need to be satisfied they failed to calculate the PAV payment in line with the terms of the policy Mr L held, and standard industry approach. Or, if I think MIC did act within these, I'd need to be satisfied they acted unfairly in some other way. And in this situation, I don't think that's the case.

I note that in Mr L's response to our investigator's view, he accepted the PAV payment calculated by A on MIC's behalf adhered to the motor trade guides valuations. So, I don't think this is in dispute here. It is standard industry approach, based on the rules and guidelines set by the industry regulator, the Financial Conduct Authority, for trade guides to be used when a value for a car is calculated. And this approach is in place to ensure every customer is treated the same in this situation, regardless of their insurer. So, I would expect MIC, and their engineer A, to follow this approach. But even so, for completeness, I've considered the trade guide valuations to ensure that the PAV payment MIC put to Mr L fell within these.

I can see between MIC and our investigator, four trade guide valuations were obtained for Mr L's car, without additional extras. And I can see the trade guide valuations ranged from £10,820 to £12,425. Specifically, two trade guides gave valuations below the amount MIC used of £11,199. And two trade guides gave valuations above this amount. So, I'm satisfied the valuation MIC used fell reasonably within the range of these guides, and this is what our service and standard industry approach would expect. So, I don't think I can say this valuation was unfair, or unreasonable.

I can also see that A then looked to take into consideration the additional extra's included on Mr L's car. And that A calculated the cost of these when new, alongside a depreciation calculation which I feel was fair and reasonable as the equipment wouldn't be worth the same as it would've been when new. When this amount was added, it gave a total valuation of £11,668. And I'm satisfied this was a fair valuation, that was calculated in line with standard industry approach, and the policy terms which explain that the most MIC would pay for a vehicle deemed a total loss would be *"the market value of the insured vehicle before the loss"*.

But Mr L expressed clearly why he felt MIC were unfair to rely on the valuations provided by these guides on this occasion. Mr L explained that, due to the market at the time, used car

prices had risen due to external factors. And because of this, he was unable to purchase a car of a similar make and model on a retail basis. So, he thinks A should've considered these when valuing his car. And he feels A agreed with this, as did Mr L's own car dealer who he turned to for advice.

But as I explained earlier within the decision, I'd expect MIC to calculate a valuation in line with standard industry approach, and the terms and conditions of his insurance policy. And I've already set out why I think the valuation followed the standard industry approach. I note that within the terms of the policy, it explains that the *"market value"* of Mr L's car would be *"assessed by an automotive engineer in conjunction with the published trade guides at the time of loss"*. And I'm satisfied this is what MIC did here, through the use of A.

So, whether Mr L's own dealer or A accepted that used cars similar to Mr L's own were being advertised and sold on a retail basis for more than the market value, I don't think this means MIC's PAV payment offer was unreasonable, or that it was calculated unfairly.

As I explained above, using trade guides is a standard industry approach to ensure all customers valuations are calculated in a similar way, regardless of the insurer they use. So, I wouldn't expect MIC to deviate away from this approach. And this is why, whether or not A commented on the fairness of this approach, I don't think this impacted the fairness of the offer MIC put forward.

And I think it's important to make it clear these trade guides are designed to consider real-time market values. But these values aren't designed to factor in any percentage uplifts in price added to the value of cars by retailers and private sellers to make a profit. So, while I do understand why Mr L feels unfairly treated as he doesn't feel he's able to find a car being sold on a retail basis for the same amount as the PAV payment MIC offered, I don't think this is because of anything MIC has done wrong. I recognise Mr L may feel standard industry approach is unfair, but this would be something to raise with the industry regulator themselves.

So, because of all the above, I don't think MIC need to do anything more on this occasion.

My final decision

For the reasons outlined above, I don't uphold Mr L's complaint about Markerstudy Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 22 August 2023.

Josh Haskey
Ombudsman