

The complaint

Mr B complained that Covea Insurance plc (“Covea”) didn’t fairly settle his claim under his motor insurance policy.

What happened

Mr B made a claim on his policy following a motor accident. Covea reviewed the claim and deemed the car beyond economic repair, so offered Mr B a cash settlement.

Mr B rejected the settlement as he thought it was below market value. He said his car was rare, in immaculate condition and with low mileage. He’d insured his car for £6,000, so he expected Covea to pay this value as a settlement.

Covea said *“in the event that your vehicle is found beyond economical repair, the maximum amount payable will be the market value of the insured vehicle”*. Its engineer used industry - recognised guide publications to assess the market value of the vehicle and offered Mr B a settlement in line with the highest market benchmark.

Mr B thinks this is unfair as he’s found other vehicles like his that are advertised at a higher price. He doesn’t think he could purchase a similar car for what he has been offered from Covea. He doesn’t think its fair he’s paid premiums based upon a valuation of £6,000, if Covea won’t honour that in his settlement.

Our investigator decided not to uphold the complaint. She checked Covea’s market valuation for the vehicle against prices shown online for the motor trade and thought the settlement offered was fair. Mr B disagreed, so the complaint has been referred to an ombudsman.

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 appreciate Mr B has an expectation when he took out his cover with Covea that any settlement would be aligned to the value he estimated for his car. However, I’m going to disappoint Mr B, as I won’t be upholding this complaint. I’ll explain why.

The policy sets out that when the damaged car is beyond economic repair then Covea’s liability is to pay out the market value for the car. Mr B estimated the value of the car as £6,000 as this is what he paid for the car five years previously. Covea will use a range of information from a policyholder when setting its premiums – such as type of car, age, security of the vehicle, risk of theft at the address, driver record etc.

The estimated value of the vehicle is just one of the parameters Covea will consider. Its liability, however, is what is stated in the policy. It is the responsibility of Mr B to provide accurate details and Covea isn’t obligated to check whether these are correct – most insurers won’t check a policyholder’s details until a claim is made. This is part of how

insurers reduce administration costs which is a benefit that is passed on to consumers in lower premiums.

Mr B said his car had gone up in value – however, I don't find this logical as most cars will drop in price over time. I appreciate prices for second-hand cars were higher during the Covid-19 pandemic due to an imbalance between supply and demand. However, this anomaly has since reversed. So, I'd expect Mr B's car to be worth less than what he bought it for five years earlier. Mr B said his car was rare, but I haven't seen any evidence to suggest his car was a classic that was in demand, so I'm not persuaded the economics of this car would buck the normal trend.

Covea has shared the research it has done of the industry wide publication guides that are available for cars like Mr B's vehicle. These guides are the same our service uses to check market rates for cars and are based on real data of sold cars. Covea has followed the process that I'd expect. I think it has been reasonable as it has offered the highest of three benchmarks it was able to retrieve. I appreciate Mr B has provided details of higher prices from a trade magazine where cars are advertised. However, I'm not persuaded by this, as it doesn't provide the actual price the cars were sold for. That's why our service thinks the industry wide publication guides are more reliable.

Therefore, as I think Covea has been reasonable in its approach and provided a fair settlement offer, I don't uphold this complaint. Covea should pay Mr B the settlement it offered.

My final decision

- My final decision is I don't uphold this complaint, I don't require Covea Insurance plc to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 November 2023.

Pete Averill
Ombudsman