

## **The complaint**

Mr P complains that Aviva Insurance Limited hasn't offered a fair value for his car following it being written off after an accident.

## **What happened**

Mr P insured his car with Aviva under a motor insurance policy. In June 2023 Mr P's car was damaged in an accident and Aviva explained the car would be written off.

Aviva initially paid £2,600 to settle the claim. This was based on a valuation of £5,000 less £1,000 (20%) because the car had previously been written off and less a further £1,400 (35%) because Mr P wanted to retain the salvage.

Mr P complained because he thought his car was worth £6,000. Aviva's senior engineer reviewed the valuation and thought £5,000 was more than fair. But Aviva said that it had deducted too much for the car's salvage and paid Mr P another £200 (plus interest). As Mr P didn't agree with the car's valuation he came to us.

Our Investigator looked at the available motor trade guides. She ran her own valuations to verify those obtained by Aviva. Those valuations ranged from £4,155 to £4,750 – without any deduction for the car previously being written off. As Aviva had offered more than the top of the range (£5,000) she thought its offer was fair as were its deductions. She said she'd allowed for the optional extras added to the car. She wasn't persuaded that the adverts Mr P had supplied or his comments about the settlement made in an earlier claim meant Aviva's valuation in this claim was unreasonable.

Mr P asked for an Ombudsman's review. He wasn't disputing the deductions Aviva had made. But he said Aviva hadn't properly considered the cost of the optional extras added to his car when it was new or its rarity value. A new headlamp alone cost £1,000. He'd used a similar car advertised at £6,500 to value his own car at £6,000. Aviva had previously paid him the same amount when writing off a different car, which had a standard specification and higher mileage.

## **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.

It's not my role to work out the exact value of an individual vehicle. I decide whether Aviva has applied its policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on the evidence I've seen I'm satisfied it has so I'm not upholding Mr P's complaint. I'll explain my reasons.

Where a car has been written off as a result of an accident, it's usual for the insurer to pay the consumer the market value of the car immediately before the accident. This is what Mr P's policy provides. The policy defines market value as:

*“The cost of replacing your car with one of the same make, model, specification and condition. The market value, determined at the time of loss or damage, may also be affected by other factors such as mileage, MOT status (if one is required), how you purchased your car and whether it has been previously declared a total loss.”*

This means Aviva will pay the value of the car immediately before the accident. Here, Aviva valued the car at £5,000 based on two trade guides. It's standard practice for the industry to use trade valuation guides to work out the estimated market value of a car. And it's not unreasonable that it does so as these are generally based on similar cars for sale.

We use the same trade guides – in addition to one other – to help decide if a settlement offer is fair when valuing second-hand cars. Having considered these guides, I've noted the valuation offered by Aviva is higher than all the guides before the 20% deduction was applied because Mr P's car had been previously written off. This is further supported by the valuations that Aviva sent to this service.

I've also considered the adverts Mr P has supplied for similar cars to his own and I've thought about what he's said about his car's rarity value. But I'm not persuaded the evidence he's supplied is relevant and persuasive evidence that Aviva's offer is unfair in this matter. The cars of the same age have lower values than Aviva's and don't appear to have been previously written off.

I've considered Mr P's comments about the optional extras added to his car from new and the cost of a new headlamp. I'm satisfied that Aviva did take into account the optional extras when arriving at the car's market value as did our Investigator.

Mr P says he has made an earlier claim and received the same value for a car with a standard specification and higher mileage. But I'm not persuaded this means, of itself, that Aviva's valuation of his car in this current claim is unfair given the trade guides support the valuation Aviva has used. Car prices do fluctuate as do the values placed on them by the trade guides.

Mr P has not challenged the deductions that Aviva made for his car being previously written off and for its salvage value. But I have considered these deductions in assessing whether Aviva has paid a fair value for Mr P's car. I'm satisfied the deductions were fair at 20% and 30% respectively. I'll explain why.

Aviva says that the car's value should be reduced by 20% because the car was previously a total loss. We accept, in principle, that this can put off potential buyers and might affect a car's value. But it is for Aviva to provide evidence to show that Mr P's car value should fairly be reduced by 20% because it was previously a total loss.

Aviva has provided evidence including photographs that the repairs to the car's previous accident damage were poor and would cost more than £1,600 to repair. I think the deduction of £1,000 because the vehicle was previously a total loss was fair.

We asked Aviva for evidence to show its salvage deduction of 30% was fair. Aviva said it based the salvage value on actual selling data provided by an independent salvage agent. The amount the agent offered for the salvage was £1,200 (30% of £4,000). I think Aviva was entitled to rely on this evidence as it was provided by an independent salvage agent. So I think Aviva has shown the 30% deduction was fair.

### **My final decision**

For the reasons I've explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 30 May 2024.

Amanda Maycock  
**Ombudsman**