

The complaint

Mrs K is unhappy with the way One Insurance Limited settled a claim she made on her car insurance policy.

What happened

In January 2022 Mrs K contacted One Insurance to say her car had been damaged in an accident and she said she wanted to claim for the damage to her car from her car insurance policy. One Insurance asked her to provide photos of the damage which she did. Following this it said it would settle the claim by paying the car's market value less her excess of £450. And it valued the car at £9,899.

Mrs K didn't agree with One Insurance's valuation as she said this left her still owing around £2,400 on the car finance agreement. She was also unhappy it didn't provide her with a courtesy car.

One Insurance agreed it had undervalued the car and increased the valuation to £11,300. It further explained that this valuation was lower because it had deducted £938 as it said the car had some pre-accident damage. It also said Mrs K wasn't entitled to a courtesy car. But it agreed it had caused some avoidable distress and convenience and offered £200 in compensation.

Mrs K didn't agree with One Insurance's response as she said the car was in excellent condition before the accident. And she provided a video which she said supported this. So she said any damage must have happened in the accident or while the car was in One Insurance's possession.

I issued a provisional decision upholding this complaint and I said the following:

"There are two issues for me to consider in this decision:

- 1. One Insurance's valuation of the car; and*
- 2. Was Mrs K entitled to a courtesy car?*

I shall consider each point separately.

Valuation

This service's role isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly. Under the terms of Mrs K's policy, One Insurance has to pay her the market value of the car, less her excess.

One Insurance has valued Mrs K's car at £11,300. It's said it's valued this by reviewing two industry valuation guides. It's also reduced the valuation by £938 as it says the car had pre-accident damage. Mrs K doesn't think this valuation is fair because she's adamant the car wasn't damaged before the accident.

It's standard practice for the industry to use 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. But One Insurance only used two guides to assess the valuation, which I don't think was sufficient. So I've thought about whether Mrs K has lost out as a result of this.

This Service has obtained valuations from two further guides. The four valuations are £11,900, £12,576, £12,616 and £12,795. I think the lower figure of £11,900 is out of line of the others as the other three are all within around £200 so I've discounted it. One Insurance had a base valuation of £12,238 (before deducting for pre-accident damage). This is out of line with the valuation guides and I think a fairer base valuation would be £12,660. However, I also need to think about whether it was fair for One Insurance to reduce the valuation due to pre-accident damage and, if so, whether the amount it reduced the value by was fair.

One Insurance says there was damage to the door. It's provided photographs of this. Mrs K disputes there was damage before the accident so she thinks that damage must have happened either during the accident or while in the garage's possession. But, I've looked at the photographs and I'm not persuaded that's likely. I think it's most likely that the damage to the doors did happen before the accident. And I think it's fair for One Insurance to say this would have had an impact on the car's valuation.

One Insurance has said it's deducted £938 because it says this was the amount it estimated it would cost to fix the damage. But the question for me to ask isn't how much it would cost to fix the damage, but how much the damage would impact the car's market value. I'm not persuaded the value would reduce by the full repair value and generally I'd consider a fairer reduction would be around 50% of the repair cost. So I think One Insurance should have deducted around £420 to reflect the pre-accident damage on the car.

So, taking everything into consideration, I don't think One Insurance has valued Mrs K's car fairly. And I think a fairer valuation is £12,240 – i.e. it should pay an additional £940.

Courtesy car

I note Mrs K is unhappy that she wasn't given a courtesy car. But the terms of the insurance policy clearly sets out that One Insurance isn't required to provide a courtesy car where it deems the car a total loss. I can acknowledge the difficulties not having a car caused Mrs K, but she wasn't entitled to a courtesy car. So I don't think One Insurance acted unreasonably in this regard. However, I do think One Insurance should have settled the claim quicker. In particular I find the way it valued the car – by offering an initial settlement over £2,000 less than the car was worth – to not have been an acceptable way to handle the claim. This has meant that Mrs K wasn't able to replace the car as quickly as she should have been able to do so. This has clearly had an impact on her ability to get to work. I note One Insurance has offered £200 in compensation, but I think £300 is fairer."

Both parties responded to accept my provisional 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.

As both parties have accepted my provisional decision and given me nothing further to think about, I see no reason to reach a different conclusion to the one I reached. So I uphold this complaint for the reasons I set out in my provisional decision.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require One Insurance Limited to do the following to put things right:

1. Pay Mrs K a further £940. It should pay 8% simple interest on this from the date of loss until she gets it back. If One Insurance Limited thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs K how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax if appropriate.
2. Pay Mrs K £300 in compensation for the distress and inconvenience this matter has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 28 December 2023.

Guy Mitchell

Ombudsman