DRN-4500254

The complaint

Mr R complains that the offer UK Insurance Limited, trading as Churchill ('Churchill') made to settle his motor insurance claim is too low.

What happened

Mr R had a fully comprehensive motor insurance policy with Churchill.

In December 2022, the vehicle was damaged in an incident while it was parked. Churchill decided it was not economical to repair the car and it offered to pay the market value of the vehicle to settle Mr R's claim. Churchill consulted three valuation guides, which showed the following valuations: Guide 1 - £5,650; Guide 2 - £5,100; and Guide 3 - £5,314. It then said it thought the market value was £5,375 on the day the vehicle was damaged.

Mr R did not accept Churchill's valuation and said it was too low. He said he hadn't been able to buy another car similar to the one that was damaged. He said a close family member was receiving long term treatment as a hospital inpatient and he hadn't been able to visit them without a car. Mr R said that a few days after the accident, he had paid for his own valuation guide, which showed his car was worth £7,986 through a franchised dealer or £6,896 through an independent dealer ('Guide 4'). He later provided an advert for a car he said was similar to his, which was on the market for £7,995.

Mr R complained to this service. Our investigator consulted another valuation guide, which showed a valuation of £6,438 ('Guide 5'). Ultimately, our investigator thought both Guide 4 and Guide 5 should be disregarded when working out the market value. She said they were significantly out of line with Guides 1, 2 and 3. Our investigator also said that the car in the advert Mr R provided did not have a similar mileage and so should be disregarded.

Mr R did not accept our investigator's view. He did not think she had given enough weight to the valuation he had obtained. The matter was then passed to me for an ombudsman's decision.

I issued a provisional decision because I thought the complaint should be upheld. I said:

> "The terms and conditions that apply to Mr R's policy say that where it cannot repair his car, it will pay the cost of replacing the vehicle up to its UK market value. 'Market value' is defined in the policy as 'the cost of replacing your car with another of the same make and model, and of a similar age and condition at the time of the accident or loss'.
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> Assessing the value of a car isn't an exact science. Like most insurers, this service often finds motor trade guides persuasive. That's because their valuations are based on nationwide research, and they show likely selling prices at the month of loss.
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> In order to determine the market value, Churchill ultimately looked at three valuation guides. I can see that in arriving at those figures, the correct make, model, mileage and date of loss were taken into account. Our investigator then considered a fourth guide and I'm also satisfied that the same correct details were entered.
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> Mr R obtained his own valuation in Guide 4. I note that the valuation is not dated. However, Mr R has sent us an email from the valuation company dated 3 January 2023. On balance, I'm satisfied that he most likely obtained the valuation on that

date, which is a few days after the accident. I'm provisionally satisfied that I should take this guide into account.

I can see that for trade prices, Guide 4 shows two potential valuations – the first is £7,986 in respect of a franchised dealer and £6,896 relating to an independent dealer. It looks as though Mr R's car would have been around 14-years old when it was damaged. I think it's more likely a similar car would have been sold through an independent dealer rather than through a franchise. On that basis, my view is that I should take account of £6,896 from Guide 4.

I have also thought about whether there is any other evidence I should take into account in this case. I note that neither party was able to obtain any adverts at around the date of the accident because no similar cars appeared to be for sale at that time. I can see Mr R did provide an advert for a car on sale for £7,995 from an independent dealer from March 2023 or thereabouts.

I do appreciate that Mr R strongly believes that this advert indicates his car would have been worth a similar amount. But I note that the car in the advert is younger than Mr R's and it had over 20,000 fewer miles on the clock. I'm not persuaded that this advert shows the valuation guides were wrong.

With all of these things in mind, we now have five valuations ranging from £5,100 to £6,896. Our investigator said that we should not count Guides 4 and 5 because they were outliers. However, I am provisionally satisfied that given how similar Guides 4 and 5 are, they should not be disregarded.

So, in considering whether Churchill's offer to settle the claim was fair, I can see that its valuation was in the range of the five guides we now have. But its offer is in the lower end of that range, and I don't think that's fair. I'd usually expect the starting point of an offer to be in the middle of the valuation guides. With that in mind, my provisional view is that it would be fair and reasonable for Churchill to settle this claim based on an average of all five guides. By my calculation, that would come to £5,879.60.

In addition to that, I can see how Mr R may well have been put to some inconvenience if his motor insurance claim was not settled initially at a fair market value. And I note that Mr R told us about some difficulties he'd had in visiting a family member in hospital as a result. With all that in mind, my provisional view is that Churchill should pay a further £150 to compensate Mr R for that distress and inconvenience."

I asked the parties to provide me with any further information or evidence they wanted me to consider before I issued a final decision. Mr R said he agreed with my provisional findings. Churchill did not. It said a fair outcome would be to disregard Mr R's valuation and take an average of Guides 1, 2, 3 and 5 to determine the value of his vehicle at the date of loss. In its view, a fair valuation of Mr R's car would have been £5,625.

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 have carefully considered Churchill's further submissions, notably that I should disregard the valuation obtained by Mr R. Churchill did not explain why it thought that valuation should not be considered. I explained in my provisional decision that I accepted Mr R's valuation was obtained shortly after the date of loss and I could see that it was a valuation for the vehicle that was damaged. I remain satisfied that it is reasonable for me to take account of the valuation Mr R provided when I'm considering a fair outcome here.

I note that Mr R accepted my provisional decision. With all of this in mind, I see no reason to depart from my provisional findings.

So, for the reasons set out above, I uphold Mr R's complaint and require Churchill to put things right.

Putting things right

I require Churchill to:

- Settle Mr R's claim based on a valuation of £5,879.60.
- Pay simple interest on the difference between any initial settlement and the final settlement. The rate of interest is 8% a year and is to be paid up to the date the final settlement is received.
- Pay £150 to Mr R to compensate him for the distress and inconvenience I have identified above.

My final decision

I uphold this complaint and require UK Insurance Limited, trading as Churchill to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 10 January 2024.

Nicola Bowes
Ombudsman