

The complaint

Mr R complains about the settlement payment U K Insurance Limited (UKI) offered him following the theft of his car, under his motor insurance policy.

What happened

Mr R says UKI undervalued his car after it was stolen. He was told it would take 10 days to settle the claim, but it took a further month for this to happen. Mr R says he was offered a hire car, which he rejected. He says he doesn't like hatchbacks and expected a like-for-like car to be provided. Because of this he was without a car for six weeks. Mr R says UKI should pay him at least £4,000 for his car.

In its complaint response UKI acknowledged a delay in settling Mr R's claim. It offered him £200 compensation and said it would consider any additional travel costs he could evidence. It says the market value of Mr R's car was calculated fairly based on industry trade guide valuations. And the hire car it offered was in line with his policy terms.

Mr R didn't think he'd been treated fairly and referred the matter to our service. Our investigator didn't uphold his complaint. He says UKI's approach to valuing Mr R's car was fair and the hire car he was offered was in line with the terms and conditions of his policy. He thought £200 was fair to acknowledge the delay in settling the claim. Our investigator also confirmed with UKI that it will pay £149.50 to Mr R for the travel costs he'd demonstrated.

Mr R maintained his car was worth more than UKI offered, and he thought £400 compensation was fairer. He asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

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 Mr R's complaint. Let me explain.

I can understand that Mr R wants the best offer he can get following the theft of his car. I've read his policy terms to understand what's expected. The terms say the policy provides the market value in the case of a total loss following the theft of an insured vehicle.

The policy booklet defines "*market value*" 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"

Our service doesn't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

I note Mr R refers to vehicles advertised for sale that cost more than UKI's settlement offer. However, we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices. I've looked at the adverts Mr R provided. However, it's not clear what the age or mileage of these vehicles is. The for sale prices advertised aren't necessarily the price these vehicles sold for. This doesn't persuade me that the trade guide approach to valuing Mr R's car is unfair.

I looked at the valuations our investigator obtained to see how he established that UKI's settlement offer was fair. I can see he used the same make, model, mileage, age, and date of loss. The valuations he was able to obtain were £1,680 and £2,225. The values UKI obtained were £1,870 and £2,225. It offered the average of these valuations, which came to £2,048. This is higher than the average of the valuations our investigator obtained.

Valuing second-hand cars isn't an exact science. I'd expect there to be a range of values when using the trade guides. In these circumstances paying an average of the valuations seems fair. So, I don't think UKI's settlement offer was unreasonable.

I've thought about Mr R's comments that he took good care of his car. Also, that he's spent extra on special tyres, mirrors, and a phone/satnav system. Mr R hasn't explained why he thinks the tyres would increase the market value of his car. But this isn't something that would be expected to impact on the valuation. Similarly, I'm not persuaded from Mr R's comments that mirrors and a phone/satnav system would have a significant impact on the car's value. I don't dispute that Mr R took good care of his car. But I'm satisfied the valuation approach taken by UKI was fair.

I've thought about Mr R's comment that he expected a hire vehicle similar to his car to be provided, and that he didn't want a hatchback. I can see from his policy schedule that Mr R had "Guaranteed Hire Car Plus" cover. His policy schedule says:

"Amount of time you can have the car for:
- if you use an approved repairer - Duration of Repair
- if you use a different repairer - 21 days
- Travel costs £50 per day up to £500 per claim".

The policy booklet under the section on Guaranteed Hire Car Plus says:

"We'll give you a hire car of a similar physical size to yours, if your car is damaged in an incident, written off or stolen... Similar physical size - A hire car up to a Class F for cars with 5 seats, or up to a Mini MPV for cars with 7 or more seats. The hire car company will define the class of car.

We'll always try to provide you with a hire car that's a similar physical size to your car, but sometimes one may not be available. We cannot guarantee that your hire car will be the same as your car in terms of its size, type, value or status."

The records state that Mr R was offered a hire car but he, "didn't agree the documents". I haven't seen further information regarding the car that was offered. However, Mr R's complaint centres on this being a hatchback.

I've thought carefully about whether UKI treated Mr R fairly. I think it did. The terms are clear that a similar size hire car will be provided. It isn't guaranteed that the hire car will be the same as the insured vehicle. Or that this won't be a hatchback. I acknowledge Mr R doesn't like this type of vehicle, but he hasn't explained why he wasn't able to use it. I don't think UKI behaved unfairly or contrary to the terms of his policy in offering the hire car it did.

It took around six weeks for UKI to confirm a settlement offer for Mr R's car. I think this should've been arranged quicker. UKI doesn't dispute this point and offered £200 for its delay. I've thought about the impact this delay had on Mr R. He was without a vehicle for this period. However, it was his choice to refuse the hire car that was offered. Had he accepted the hire vehicle the impact of not having a car would've been avoided. Mr R has shown that he incurred costs for rail travel during this period. I think it's fair that UKI reimbursed these costs. But I don't think UKI should pay Mr R further compensation.

I'm sorry Mr R's car was stolen, and that he remains unhappy with the settlement payment UKI offered. But I don't think it acted unfairly when relying on its policy terms and offering the settlement payment it did. There was a delay in dealing with the claim, but I think UKI's compensation payment for £200 is reasonable. So, I can't fairly ask it to pay anymore.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 September 2023.

Mike Waldron
Ombudsman