

The complaint

Mr J complains that UK Insurance Limited, trading as Direct Line, did not fairly settle his motor insurance claim.

What happened

Mr J held a fully comprehensive motor insurance policy with Direct Line. His car was damaged and he made a claim on his policy.

Mr J says Direct Line decided his vehicle was a total loss and it offered to settle the claim by paying the market value of the car. It said the car would have been worth £12,995 at the date of loss, but there was some pre-accident damage on the car. It then deducted £105 for the pre-existing damage. After a further deduction was made because of the excess, Direct Line offered to pay £12,690 to settle Mr J's claim.

Mr J says there was a delay in Direct Line dealing with his claim and he had to purchase a wheel at a cost of around £1,000 to make the vehicle roadworthy. Direct Line agreed to cover the cost of this wheel, but payment was not sent to Mr J until January 2023.

Mr J did not accept Direct Line's valuation and so he made a complaint. Direct Line said that it thought its valuation was fair. However, it recognised that it should have covered the cost of the wheel earlier than it did and it offered to pay £200 to Mr J to compensate him for that delay.

Mr J then complained to this service. Our investigator considered the matter but didn't think the complaint should be upheld. She consulted some valuation guides and thought Direct Line's valuation was fair. She said that the £200 already paid was fair compensation for the delay Mr J experienced.

Mr J did not accept our investigator's view. He said that due to the unusual nature of his car, the only similar replacement vehicle was advertised for sale at £15,000. He said the guides our investigator had considered related to auction prices and did not show a fair valuation of his car.

As Mr J did not accept our investigator's view, the matter has been passed to me for an ombudsman's 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.

I know Mr J will be disappointed with my decision, but I haven't upheld his complaint. I'll explain why.

The terms and conditions that apply to Mr J's policy say that where Direct Line has decided it is not economical to repair his vehicle, it will settle the claim by paying the market value of the car at the date of loss. 'Market value' is defined in the policy as the cost of replacing Mr J's car with another of the same make and model, and of a similar age and condition at the time of the loss.

I can see that when Direct Line valued Mr J's car, it consulted two valuation guides, which showed valuations of £11,995 (Guide 1) and £11,310 (Guide 2) respectively. However, Direct Line then looked to see whether there were any similar vehicles for sale. It says it found a similar car to Mr J's on the market for £12,995. It then based its valuation on the advertised price of the similar car.

It isn't the role of this service to value Mr J's car. Instead, we look at whether Direct Line's offer was fair and reasonable in all the circumstances. Assessing whether an offer was fair isn't an exact science. Like most insurers, this service often finds valuation guides persuasive. That's because the valuations are based on nationwide research. As a service, we generally consider the valuation guides to be helpful in showing likely selling prices at the month of loss.

As well as considering the two valuations obtained by Direct Line, our investigator consulted another two guides and obtained the following valuations: Guide 3 - £13,179; and Guide 4 - £12,570. Looking at the valuations that were obtained by Direct Line and our investigator, I can see that they are based on the correct model, specification, age and mileage as Mr J's car. The correct date of loss has also been entered.

I know Mr J was concerned that the valuation guides only showed the prices of cars at auction. But I understand the valuations set out in the guides obtained by Direct Line and our investigator show the likely retail value.

I can see that Guide 4 shows a number of similar vehicles that were for sale at around the time of Mr J's loss. The vehicle with the closest mileage to Mr J's car was for sale at £13,890. This vehicle had 75,999 miles on the clock whereas I understand Mr J's mileage was 107,298. I'd usually expect a car with lower mileage to be valued at a higher price than the same car with higher mileage. Taking account of the difference in mileage, I think this shows the value of Mr J's car would have been similar to Direct Line's valuation.

Direct Line provided us with the advert it relied on to settle Mr J's claim. The advert shows a car for sale at £12,995. I'm satisfied that this vehicle is the same make, model and age as Mr J's. The mileage is 98,000 miles, which is similar to the mileage on Mr J's car.

I know that in response to our investigator's view, Mr J said he understood the only similar car that was advertised for sale at around the date of loss was for £15,000. I haven't seen the advert Mr J refers to, but for the reasons I've set out above, at the date of loss, I'm satisfied there were cars for sale that were similar to Mr J's for less than £15,000.

Putting all the evidence together, I am satisfied that that Direct Line's valuation is at the higher end of the valuation guides and is in line with a similar car that was advertised at around the time of loss. It follows then that I find it was fair for Direct Line to base its settlement on a valuation of £12,995 at the date of loss. It was also fair for Direct Line to make a small deduction for pre-accident damage on the vehicle. I don't require Direct Line to take any further action here.

I've also looked at the delay Mr J experienced in waiting for Direct Line to cover his outlay to get his vehicle roadworthy. It took Direct Line until January 2023 to release a payment to him for this. I can see how the delay here would have caused Mr J some frustration. But as our investigator said, I think the £200 Direct Line has already offered is fair compensation for this.

Overall, I'm satisfied Direct Line's valuation is fair and that it has fairly compensated Mr J for the delay it caused. It follows then that I don't require Direct Line to take any further action and I haven't upheld the complaint.

My final decision

I don't uphold this complaint about UK Insurance Limited, trading as Direct Line.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 January 2024.

Nicola Bowes
Ombudsman