DRN-4276607

The complaint

Mr R complains about U K Insurance Limited trading as Churchill's ("Churchill") valuation of his car following a claim on his car insurance.

What happened

Mr R has a motor insurance policy with Churchill which started in July 2022.

Unfortunately his car was stolen on 9 September 2022 so he reported the theft to Churchill. Churchill valued Mr R's car and made an offer of around £34,000. Mr R emailed Churchill to say he didn't accept the offer.

Mr R provided Churchill with the invoice of his purchase which shows he bought the car for around £40,000 in July 2022; a few months before it was stolen. Mr R found an advert for a similar car for £39,850, and he said he thought he could negotiate a lower sale price.

Churchill increased its offer to £35,887 and then again to £37,377. Mr R says he rejected all of the offers because he was unable to replace his car for what Churchill offered.

Mr R complained to Churchill. Churchill said it wouldn't review the valuation further and the final offer was based on the trade guides. It did accept the service provided to Mr R wasn't at the level it should have been and paid him £400 for the distress and inconvenience.

Mr R remained dissatisfied. He didn't think the policy wording was clear enough. He also said he suffered a loss because he wasn't paid what it cost him to replace his car. Mr R wants Churchill to pay him the difference between the cost of replacing the car and the settlement amount. He also wants Churchill to review and amend its policies and improve its complaints handling procedure.

So, Mr R referred his complaint to this service. One of our investigator's looked into things for him. She didn't uphold the complaint. The investigator could see the claims process was drawn out and difficult but Churchill had paid Mr R £400 for the distress and inconvenience caused. She also said she felt the offer of £37,377 was fair so she wouldn't be asking it to do anything further.

Mr R didn't agree. He maintained the terms are misleading and the offer wouldn't allow him to replace his vehicle, so he wouldn't be put back into the position he was before his car was stolen. Because Mr R didn't agree the complaint has come 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.

It's clear and quite understandable that Mr R has very strong feelings about this matter. This service isn't the regulator so we can't direct Churchill generally about how it conducts its business or its policies. But I can look at whether it treated Mr R unfairly. I'm not in a position to conclude that it did here, I'll explain why.

Churchill accept the service provided to Mr R wasn't at the level it should have been. Since Churchill accept this aspect of the complaint it isn't my intention to comment on this further. Mr R was paid £400 for the distress and inconvenience caused, and I think this is fair in the circumstances. And in line with what I would have suggested had an offer not already been made.

Mr R's policy explains how Churchill will deal with a claim for a stolen car. It says it will pay the market value of the vehicle and, "*settle your claim by sending you a payment.*" The market value is defined 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.*"

I need to consider whether Churchill used the right market value for the car under the terms of the policy. Standard practice is to use industry accepted trade guides which are based on extensive nationwide research of likely selling prices by reputable dealers. I have seen copies of the valuations and am satisfied the correct vehicle details were used to obtain them.

Churchill says its approach to the valuation is to reflect the market value of the vehicle prior to the incident. It's starting point is the available guides referred to above. Churchill reviewed its original valuation and agreed to increase it to more than the highest valuation from the standard trade guides. I'm satisfied this figure fairly reflects the price Mr R would have had to pay for a comparable car at the time it was stolen.

Mr R complains that Churchill's figure is lower than the prices he was able to find and he hasn't seen a comparable car for the settlement value. Mr R provided an advert for a similar car to his own which was advertised at £38,850. But that price represents the cost of the car at that time, and not at the time of the loss, as specified in the policy. The variance in price demonstrates that valuing a car isn't an exact science, and we usually find the valuation guides more reliable than individual adverts which can very vastly in price, and often advertised prices allow room for negotiations.

As mentioned above the guides are based on transaction data – actual selling prices – so give a more realistic indication of a car's value than adverts.. It is for that reason I think the valuation of £37,377 is reasonable.

I have reviewed the valuations used by Churchill to value Mr R's vehicle. The Glass's valuation is £35,500. Cazana shows a valuation of £35,128, Auto Trader's valuation is £36,716 and CAP shows £36,000. The offer from Churchill is higher than these valuations, and therefore I don't think it's wrong for Churchill to set the pre-loss value for Mr R's car as it did..

The crux of Mr R's complaint is that he hasn't been provided with the cost (to him) of replacing his car. But in order to put him in the position he would have been had the car not been stolen Churchill paid him the value of the vehicle at the time of the theft. If Churchill were to offer Mr R a further £2,000 it would put Mr R in a position known as 'betterment.' In other words Mr R will have received more than the policy provides cover for.

Taking all this into account I can't say Churchill has acted unreasonably. The terms and conditions set out how it will settle a claim. The guides it has used are based on actual selling prices for the same vehicle at the time of the theft. This takes into account the specifications of the vehicle as well as the mileage. And in line with the terms and conditions the valuation shows it has considered the market value at the time of loss. On that basis I can't say Churchill has acted unfairly or unreasonably in arriving at its valuation.

I appreciate Mr R's concern with the amount he was offered, and he feels it falls short of allowing him to buy a like for like car in a similar condition. And I understand this situation is more frustrating considering it arises out of an incident which isn't Mr R's fault. However I can't say the offer Churchill made is unreasonable so I'm not directing it to do anything more.

My final decision

For the reasons set out above I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 31 August 2023.

Kiran Clair
Ombudsman