

The complaint

Mr and Mrs R complain about the settlement figure offered by AA Underwriting Insurance Company Limited (AA) under their motor insurance policy.

What happened

Mr and Mrs R had motor insurance with AA. Mrs R was the policyholder and Mr R was a named driver. Their car was involved in an accident and AA decided it couldn't be economically repaired. Under the terms of Mr and Mrs R's policy, AA offered them the market value of the car, which it said was £4390. Mr and Mrs R weren't happy with this as they say this wasn't enough to replace the car.

Mr and Mrs R complained to AA. AA said that when determining a total loss offer, it aligns its process with the guidance issued by this service, using motor trade guides to get the market value. AA said the guides it used in the valuation of Mr and Mrs R's car gave guide prices of £4390 and £3505. AA said a total loss settlement is not designed to be the amount it costs to replace the vehicle, instead it is a market valuation from prior to the incident, and adverts online by sellers and dealerships are profit influenced and not true reflections of price and therefore not taken into account.

Mr and Mrs R weren't happy with what AA said and complained to this service. Our investigator didn't uphold their complaint. She said she relied on the guides and carried out her own research and concluded that the offer made to Mr and Mrs R was within an acceptable range of these guides.

Mr and Mrs R didn't agree with what the investigator said and so their complaint has been passed to me. Mr and Mrs R want what they say is a fair settlement of their claim, which they believe to be £10,500.

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 don't uphold Mr and Mrs R's complaint. I'll explain why.

Mr and Mrs R's insurance policy documents said:

"The Insurer will pay for loss of or damage to the Insured Car its accessories (excluding audio, satellite navigation and communication equipment) and spare parts kept in or on the Insured Car or in Your private garage by (at the Insurer's discretion):

repairing

or

replacing

or

paying in cash the amount of the loss or the damage.

The maximum amount payable will be the Market Value of the Insured Car.”

Market value is defined as:

“The cost of replacing the Insured Car with one of the same make, model, age, mileage, specification and condition at the date of accident or loss.”

AA obtained two valuations for Mr and Mrs R's car - £4390 and £3505. Our investigator also obtained valuations for the car from motor trade guides of £3965 and £4475. The sum paid by AA is the higher of the two figures it obtained, and is within the range of the figures this service obtained. It is also higher than the average of the two figures this service obtained of £4220. Mr and Mrs R have sent this service a number of adverts for cars similar to theirs and emails from two garages with valuations. All these are higher than the settlement figure paid by AA. However according to the terms and conditions of Mr and Mrs R's policy, the market value is calculated at the date of the accident or loss not at any later date. This service relies on motor trade guides to calculate the market value of a vehicle, not adverts or opinions from garages or dealers. These guides are based on extensive nationwide research using for example advertised selling prices, auction prices and actual selling prices. It is important to note that cars can often be sold for less than the advertised price. The approach taken by this service is that, in the absence of good evidence to the contrary, the motor trade guides are very likely to be accurate.

So on balance I think the settlement figure paid to Mr and Mrs R was fair and reasonable and in line with the terms and conditions of their insurance policy.

My final decision

For the reasons given above I don't uphold Mr and Mrs R's complaint. So I won't be asking AA Underwriting Insurance Company Limited to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 12 December 2023.

Sarah Baalham
Ombudsman