

## **The complaint**

Mr M complains about Advantage Insurance Company Limited (AIC) and the settlement amount they've paid him following the total loss of his car.

## **What happened**

Mr M held a motor insurance policy, underwritten by AIC. Unfortunately, in April 2023, Mr M's car suffered significant damage following an accident. So, he contacted AIC to make a claim on his policy.

AIC accepted Mr M's claim, and they instructed an independent engineer, who I'll refer to as "H", to inspect Mr M's car and inspect the damage. H compiled a report deeming Mr M's car a Category B total loss, due to the structural damage it had sustained.

As the car has been deemed a total loss, AIC settled the claim on this basis. Initially, they offered Mr M a total settlement of £22,787.50, which was an average of two motor trade guide valuations they obtained. But Mr M was unhappy with this, so he raised a complaint.

Mr M didn't think the settlement offer AIC put forward was a fair one, as he didn't think it allowed him to purchase a replacement car of a similar make and model. Mr M explained his belief the car was worth around £26,000 at the time of loss and so, this is what he wanted AIC to pay.

AIC responded to the complaint and didn't uphold it. They thought their original offer of £22,787.50 was a fair one, calculated in line with the policy terms and standard industry approach. But, as a gesture of good will, AIC advised they would pay Mr M an additional amount, taking the total settlement payment to £23,265 which was the highest trade guide valuation they had obtained. Mr M remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. They thought AIC's settlement offer was a fair one, that fell in line with the policy terms and conditions. And so, they didn't think AIC needed to do anything more.

Mr M didn't agree. He maintained his belief that the market value of his car was around £26,000 and he felt the online advertisements he'd sent to our service supported this view. So, he maintained that the settlement he received should be increased. Our investigator considered this but explained AIC had used the retail prices obtained from the motor trade guides, in line with standard industry approach. And they explained advertised sales prices may be higher than this, to allow room for negotiations. Our investigator also explained the advertisements Mr M provided showed cars with significantly less mileage and so, they didn't think the prices advertised impacted the view they reached. Mr M remained unhappy and so, the complaint has been passed to me for a 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr M. I recognise Mr M took out his insurance policy to assist him both practically and financially in situations such as the one he found himself in. So, when Mr M received a settlement amount he felt failed to allow him to purchase a replacement car, I can understand why Mr M would feel as though the payment was unfair and that AIC had calculated this unreasonably. And because of this, I can understand why Mr M would want this payment to be increased.

But for me to say AIC should do something more than they have already, such as increase the settlement further towards Mr M's expected payment of £26,000, I first need to be satisfied AIC have done something wrong. So, I'd need to be satisfied AIC failed to act in line with the policy terms and conditions, and standard industry approach, when calculating the settlement amount that's been paid to Mr M so far. Or, if I think AIC did work within these, then I'd need to be satisfied that AIC acted unfairly in some other way. And in this situation, I don't think that's the case.

I've seen the terms and conditions of the policy Mr M held. They explain that, where a car has been damaged and deemed a total loss, AIC will *"pay the Market Value of your Car immediately before the loss"*. And the policy defines a car's market value as *"The cost of replacing your car in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition...Your insurer may use publications such as Glass's Guide to assess the Market Value and will make any necessary allowances for the mileage and condition of your car and the circumstances in which you bought it"*.

So, I think the terms and conditions make it reasonably clear that any settlement Mr M received would be based on the market value of his car, immediately before the loss. And, that this value would be calculated using trade guide publications. And this is what I'd expect, as it is standard industry approach, based on guidelines set by the industry regulator, for a car's pre-accident value to be calculated using motor trade guides.

In this situation, I can see AIC obtained two valuations from two different trade guides. These guides gave valuations of £22,310.00 and £23,265.00. So, AIC initially offered to settle Mr M's claim using the average of these two valuations combined. But I note as part of AIC's complaint response, they increased the settlement to £23,265, the higher of the two valuations AIC obtained.

To ensure this settlement was fair, our service obtained valuations from two further trade guides in line with our usual approach. And having done so, I'm satisfied the settlement of £23,625 falls within the ranges the four trade guide valuations provided. So, considering the above, I'm satisfied AIC acted within the policy terms and conditions when settling Mr M's claim. And, that they acted fairly, in line with standard industry approach when doing so. Because of this, I don't think they need to do anything more on this occasion.

I understand this isn't the outcome Mr M was hoping for. And I want to reassure Mr M I've considered all the evidence and comments he's provided, including the screenshots of advertisements he found online. But I note for many of these advertisements, they showed cars either of different models or different mileages. So, I don't think these are reflective of the actual market value of Mr M's car at the time of loss. And even if I thought they were, the market value of Mr M's car is different to the retail price cars will be advertised for online.

Retail advertisement prices are often inflated to allow the seller, whether they be a dealership or private, to negotiate on the actual sale price. And this is why it is standard industry approach for insurers to use motor trade guides to calculate a value, so insurers can ensure each customer is treated similarly in situations where they are due a settlement following the total loss of their car.

So, while I recognise Mr M will likely remain of the view that the settlement doesn't allow him to purchase a replacement car of a similar make or model based on advertised retail prices, I don't think this is the fault of AIC, or because of anything they've done wrong.

### **My final decision**

For the reasons outlined above, I don't uphold Mr M's complaint about Advantage Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 September 2023.

Josh Haskey  
**Ombudsman**