

The complaint

Mr P complains about the value U K Insurance Limited trading as Direct Line (Direct Line) placed on his car when it was written off.

What happened

Mr P had motor insurance with Direct Line. His car was involved in an accident and Direct Line decided it couldn't be economically repaired. Under the terms of Mr P's policy, Direct Line offered him the market value of the car, which it calculated as £11,714.

Mr P wasn't happy with this sum as he said he couldn't replace the car for this amount. He complained to Direct Line. Direct Line said when its engineers assess a vehicle's value, they take into account the make, model and its individual specifications and cross reference these with recognised motor trade guides. Direct Line said in this instance the guides produced values of £11,138 and £12,290, an average of £11,714. Direct Line said its engineers need to be confident that the price being quoted would enable Mr P to replace what is lost. And so they also conduct national market research and in this instance a comparative vehicle was being advertised for £11,498. Direct Line said this amount was less than the average of the guides, so the offer remained unchanged. Direct Line said it also asked a second engineer to review Mr P's case but they could not justify an increase, nor the £13,000 he was seeking. Direct Line said the claim had been settled in accordance with terms and conditions of Mr P's policy.

Mr P wasn't happy with Direct Line's response and complained to this service. Our investigator didn't uphold his complaint. The investigator said Direct Line had broadly followed this service's general approach to vehicle valuations and its pre accident valuation of the vehicle wasn't unreasonable. So he said Direct Line had settled Mr P's claim fairly and in line with the policy terms and conditions.

Mr P wasn't happy with what the investigator said and so his complaint has been passed to me. Mr P wants Direct Line to provide a value that lets him replace his car with one of a similar quality, provenance and history. Mr P says he can't replace his car for the amount offered by Direct Line and that a figure of £13,000 would be more realistic.

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 P's complaint. I'll explain why.

Mr P's insurance policy document with Direct Line said:

"How much will you pay if my car is damaged?"

"Where damage to your car is covered under your policy, we'll pay the cost of repairing or replacing your car up to its UK market value."

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**”.* (My emphasis).

Direct Line obtained three valuations from motor trade guides. One was quite significantly lower than the other two, so Direct Line ignored it and averaged the other two valuations. It's important to note that although the guides are described as “motor trade guides” this is because they are guides used by the motor trade. The guides can be used to produce trade or retail valuations. In this case I've seen screenshots of the valuations Direct Line obtained and I can confirm that the figures Direct Line used are retail valuations not trade valuations. In addition our investigator ran his own valuation with another motor trade guide, which at the date of loss came back with a retail valuation within the range of the two valuations used by Direct Line.

Mr P has provided a list of similar cars with prices which he says he has been able to find online. These are higher than the market value paid by Direct Line. However he has not been able to provide any actual adverts or screenshots or sellers' details, and most of the prices he has provided are from some months after the accident. According to the terms and conditions of Mr P's policy, the market value is calculated at the date of the accident or loss.

In any event 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. These guides are based on extensive nationwide research using for example advertised selling prices, auction prices and actual selling prices.

So on balance I think the market value paid by Direct Line in settlement of Mr P's claim was fair and reasonable and in accordance with the terms and conditions of his policy.

My final decision

For the reasons given above I don't uphold Mr P's complaint. So I won't be asking U K Insurance Limited trading as Direct Line to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 November 2023.

Sarah Baalham
Ombudsman