

The complaint

Mr W complains Tesco Underwriting Limited hasn't offered a fair value for his car following it being written off after an accident.

What happened

The details of the claim are well known to both parties, so I won't repeat them again here. Instead, I'll summarise the background and focus on the reasons for my decision.

Mr W insured his car with Tesco under a motor insurance policy.

In late June 2023, Mr W's car was involved in an accident and subsequently written off by Tesco. It then offered Mr W £3,388 to settle the claim, less deductibles such as the excess.

Mr W wasn't happy, so he complained about the valuation. Tesco said the offer was based on an average of the two highest motor trade valuation guides, so didn't change its decision.

Mr W brought his complaint to our service for an independent review. He said he can't replace his vehicle like for like with the amount Tesco has offered which is in breach of FCA rules. He says, if he accepts the offer from Tesco, he'll need to add money to replace his car leaving him in financial difficulty.

An Investigator at this service looked into matters. It was his view, having reviewed matters, Tesco had come to a fair market value. So, he didn't ask Tesco to do anything to put things right.

Mr W didn't agree with the Investigator's view, so, the matter was 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 Mr W's complaint. I'll explain why.

It isn't my role to give an exact value of Mr W's car. Instead, my role is to decide whether Tesco has:

1. Correctly applied the policy terms and conditions when reaching the figure for the market value of Mr W's car; and
2. Done so in a fair and reasonable way.

Based on what I've seen, I think it has.

Where a car has been written off, it's usual for the insurer to pay the consumer the market value of the vehicle immediately before the loss. This is what Mr W's policy provides. It defines the market value as follows.

'The cost of replacing the car with one of similar age, type, specification, mileage and condition, immediately before the loss or damage happened.'

Tesco referred to three trade guides to calculate the market value. The guides gave different figures, which isn't unusual. It then made an offer to Mr W of £3,388 which was the average of the two highest guides (£3,380 and £3,395).

We use the same trade guides to help decide if a settlement offer is fair when valuing second-hand vehicles. In the absence of other evidence, we generally find these guides to be persuasive evidence of market value. And considering several guides allows us to take into account the different methods used by each guide to ensure a fair market value is reached.

I can see the motor trade guides used by Tesco were for cars of the same make, model, age and mileage as Mr W's at the date of loss. The valuations obtained were £3,357, £3,380 and £3,395. And the Investigator verified these figures.

Taking the above into account, I'm satisfied the average of the top two valuations - which were close in value to each other - is more likely to be a fair reflection of market value at the time directly before the loss.

In light of the above, I'm satisfied Tesco has acted within the terms and conditions of the policy in reaching the value for Mr W's car of £3,388. And that it's done so acting fairly and reasonably.

I note Mr W has referred to the principles under the Consumer Duty introduced by the Financial Conduct Authority. But the Duty isn't relevant in this matter as it doesn't apply to acts or omissions that occurred before 31 July 2023.

My final decision

For the reasons set out above, my final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 January 2024.

Rebecca Ellis
Ombudsman