

The complaint

Mr S complained about Tesco Underwriting Limited's valuation of his car following his claim on his motor insurance policy.

What happened

Mr S's car was damaged in an accident and Tesco decided that it was uneconomical to repair. They offered him an amount for his car's market value, and later increased that offer. However they deducted Mr S's policy excess and another amount for salvage value because Mr S wanted to keep the car.

Mr S thought that his car was worth much more. The investigator didn't recommend that his complaint should be upheld. She thought that Tesco had reached a fair valuation offer having followed our guidance. Mr S didn't agree and so I've been asked 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.

As the investigator said, Mr S's car insurance policy requires Tesco to pay his car's market value. It says on page 5 that market value is:

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

The investigator also explained to Mr S what our approach was regarding complaints about car valuations. We don't decide what the market value of a car is; we merely consider whether or not the insurer has reached a fair and reasonable amount having regard to the valuations in the trade guides. The prices in those guides are linked to likely monthly nationwide sales figures and although valuing a car is not an exact science, we believe they give a reasonable and independent guide and take account of a number of factors including mileage, condition, and any extra features. Overall, we find them more persuasive than adverts.

In assessing Mr S's car's market value, Tesco used the valuations from two trade guides, and valued his car's market value at £2,360. They deducted his policy excess and salvage value but added £70 for the car's optional extras.

The investigator checked that market value offer against other guides. Some did not provide valuation data due to Mr S's car's age and high mileage. However the investigator used two guides to value it in accordance with our guidance, taking into account its model, additional features, and the actual mileage at the time of the car's loss. Those two guides gave values of £1,979 and £2,360.

As the investigator explained, we would normally see the average of those two amounts as being a fair settlement. But Tesco offered the higher of the two values. And, as Tesco

followed our established process with regard to assessing market value, the investigator thought that was fair.

Mr S still felt that Tesco had lied to him and treated him badly. He felt that they had pressured him to accept their market value offer right away. However I don't think it's necessarily unfair if Tesco wanted to resolve the open claim quickly, as we would expect an insurer to deal with a claim within a reasonable time. And although Mr S didn't accept the offer, Tesco still offered him an interim amount, and I think that was reasonable.

Mr S also felt that it was unfair for Tesco to calculate his premium on one value for his car when he took out the policy, only to offer him a lower value when he claimed. However premium pricing is dependent on a number of factors, and that's a separate issue. What's relevant here is what the policy terms above says about market value as that determines what Tesco must pay out on a total loss claim. When Mr S took out the policy, he agreed to those terms.

Mr S also thought it was unfair that when Tesco increased the market value offer from their first offer the salvage amount went up too. Tesco explained that's because a car's salvage value is related to its market value. So when the market value offer increased it meant that the salvage value was higher too. Tesco's salvage price-setting is a commercial matter for them, in which we can't intervene, and it is not disclosable. However having seen Tesco's explanation of that I'm satisfied that in applying it they treated Mr S as they would any other customer. So I don't think Tesco acted unreasonably there.

Mr S felt his car was worth more than Tesco had offered. He said that his inquiries within the industry including used car dealers showed that cars of the same type and same age as his were being priced anything up to £7,000 or £8,000, and that this was because of the state of the car market at the time his car was damaged. He said that due to the combination of several factors related to the pandemic and the Ukraine war there was higher demand for used cars and this meant their prices went up. He has shown us a press article and online video in which he said trade guide experts accepted that their guide prices were out of date and out of touch with what was happening in the market. But I've considered those carefully and don't think they do show that. While car industry spokespersons in the video do discuss the changes in market prices at the time, they don't confirm that the trade guides failed to reflect those changes. We think that the guides have factored in market-related increases in second-hand car sales in the last few years.

As regards what Mr S says is his own research about what his car should be worth, he hasn't provided persuasive evidence of that from dealers or from adverts. And in any event, we still think that advertised prices allow for subjective profit and room for negotiation, and don't determine what a car actually sold for. As I explained above, the guides Tesco used are independent industry trade guides and we consider it reasonable for insurers to use them and that they are more persuasive than adverts.

I can see it's frustrating for Mr S that his car was damaged, but taking all of the above into account, I'm satisfied that Tesco used a fair and established process to assess Mr S's car's market value and that the amount they offered him was fair.

So I don't think that Tesco did anything wrong. I expect Tesco to pay Mr S the £2,360 market value amount plus the amount for optional extras, but less Tesco's deductions for excess and salvage retention, and also less any interim amount Tesco have already paid him. However I don't require them to do anything more.

My final decision

For the reasons I've given above, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 November 2023.

A handwritten signature in blue ink that reads "R. Scott". The "R" is large and stylized, with a dot. The "Scott" is written in a cursive-like script.

Rosslyn Scott
Ombudsman