

The complaint

Mr R complains about the settlement that West Bay Insurance Plc offered him for the total loss of his car following a claim made on his motor insurance policy.

What happened

Mr R's car was damaged in an accident, and he made a claim on his policy. West Bay offered him £4,218, less the policy excess, in settlement of his claim. But Mr R was unhappy with this and with the level of service he received. He thought he couldn't replace his car for this amount. He thought it would cost between £5,000 and £5,500, as shown by adverts, to replace his car. West Bay agreed that there had been service failings and it paid Mr R £300 compensation for this.

Our Investigator didn't recommend that the complaint should be upheld. She thought West Bay had reasonably based its settlement for the car's market value on the motor trade guides we use. She thought its offer was the highest of the valuations provided by the motor trade guides. So she thought this and West Bay's payment of compensation for its service failings was fair and reasonable.

Mr R replied that the settlement wouldn't be enough to buy a replacement car in the current market. He provided further adverts showing similar cars to his own advertised at higher prices. He said this matter was causing him stress. Mr R asked for an Ombudsman's review, so the complaint has come to me for a final 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.

I can understand that Mr R wants a fair settlement for the loss of his car. He said that he'd seen similar cars advertised for about £5,000 to £5,500 and so he was disappointed with West Bay's offer. He said he had to borrow money to buy a replacement car.

Mr R's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet as:

"The cost of replacing the car with another of the same make, specification, model, age, mileage and condition as the car immediately before the loss or damage happened."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to see whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor-trade guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Mr R provided adverts for similar cars advertised at higher prices. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices. But I have considered these and looked to see whether the advertised cars are identical to Mr R's. And I can see adverts for similar cars at lower prices than West Bay's offer. So I'm not persuaded that the adverts provided by Mr R are reflective of the full market.

Our Investigator thought West Bay's settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see that she looked in the motor trade guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr R's car at the date of its loss.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the trade guides, unless they are able to provide us with evidence which supports a lower valuation.

West Bay had provided a valuation of £4,128, which was the highest of the valuations provided by the guides. This included a deduction for the car's significantly higher than average mileage which I think was fair and reasonable. The optional extras didn't add value, which isn't unusual. And so I agree that West Bay's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this.

West Bay agreed that its level of service had been poor. And Mr R provided evidence of long periods of being kept on hold, dropped calls, and inappropriate call transfers. West Bay had also incorrectly deducted £300 for pre-existing damage from its initial settlement. Given the age of the car, I think this was inappropriate. And so I think it correctly removed this deduction.

West Bay paid Mr R £300 compensation for this trouble and upset. I think that's in keeping with our published guidance where the impact of an error has been felt over a month. And so I'm satisfied that West Bay's compensation was fair and reasonable and I don't require it to increase this.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 January 2024.

Phillip Berechree
Ombudsman