DRN-4006978

The complaint

Mr T and Mrs T say that esure Insurance Limited didn't pay them enough for their written-off car when they made a claim on their motor insurance policy.

What happened

esure's final offer to Mr and Mrs T was £2,696, but it made a deduction of £496 from that sum for pre-existing damage to the car. Mr and Mrs T said esure's starting point was too low and that the deduction was excessive, given that the car was 12 years old. esure said the bumper needed repainting and that a rear door needed replacing. Mr and Mrs T said the paintwork just needed touching up and the dent in the door could be removed, which should cost around £120. They also provided adverts for two cars they thought were comparable to their car and said a more realistic valuation for it would be between £2,800 to £3,200.

One of our investigators reviewed Mr and Mrs T's complaint. She thought esure had acted reasonably. She said we think it's fair to rely on the valuations quoted in the national trade guides (which esure had done) rather than on adverts. Mr and Mrs T repeated that the deduction made by esure was too high. As there was no agreement, the complaint was passed to me for review.

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 think it was reasonable for esure to take an average of four national trade guides to determine the likely market value of Mr and Mrs T's car. As the figures set out in the guides are based on extensive research of likely selling prices, we think relying on them is generally the fairest and most reliable way to establish a car's likely market value. esure could reasonably have discounted the valuation given in one guide, as it was higher than the other three. Had it done so, the settlement sum would have been slightly lower.

We don't think adverts are generally reliable, as asking prices are subject to negotiation – and the sums asked for what appear to be similar vehicles often vary considerably. I think that Mr and Mrs T tried to be fair in discounting the sales prices shown in the adverts by 20% in order to arrive at a realistic price for the cars. But that assumes that the original prices were only inflated by that sum - and that the other cars were truly comparable to theirs.

Had esure made no deduction to the sum it started off with, the offer wouldn't have fallen much short of the range of realistic valuations Mr and Mrs T proposed. But we think it's reasonable for an insurer to deduct a sum for pre-existing damage of around half the amount it thinks it would cost to repair it. That's because a settlement offer reflects the value of a car before an accident – and a car's value is affected if there's damage to it.

On older cars like Mr and Mrs T's vehicle we don't think it's fair to deduct a sum for normal wear and tear, as minor dents and scratches are unlikely to affect the value of a 12-year-old vehicle. But esure has provided a copy of the engineers report, which includes images of the accident damage and the pre-existing damage. Although scratches are only shown on one part of the rear bumper, they appear to be long / deep, so I think they amount to more than minor wear and tear. And I think the dent to the rear door looks like major impact damage.

In my opinion, it was reasonable for the engineer to recommend that the deduction for pre-existing damage should be made and for esure to reduce its offer accordingly. I know Mr T and Mrs T will be disappointed with my decision, but as I think esure offered them a reasonable settlement sum for their car, I can't uphold their complaint.

My final decision

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 T and Mrs T to accept or reject my decision before 28 July 2023.
Susan Ewins
Ombudsman