

## **The complaint**

Mrs B complains U K Insurance Limited's settlement of her motor insurance claim was unfair.

Mrs B's been represented for the complaint. For simplicity I've referred to the actions and comments of the representative as being her own.

## **What happened**

In August 2018 Mrs B's car was damaged in a collision. Her insurer, UKI, considered it a total loss. In October 2018 it settled her claim based on what it considered to be the market value of her vehicle - £2,370. Mrs B complained as she wasn't satisfied that was a fair valuation. In October 2018 UKI responded. It didn't change its settlement offer. Mrs B didn't pursue the matter any further at that point.

In 2023 Mrs B became aware that UKI had been instructed, by the Financial Conduct Authority, to review historic settlements for motor claims involving a total loss. The intention was to identify any policyholders who had received unfair settlements and provide appropriate redress. Mrs B's claim had been settled within the relevant dates. So she asked UKI to reconsider the valuation of her car and pay her compensation for distress and inconvenience.

In August 2023 UKI responded by issuing a complaint final response. It said it had reviewed the 2018 £2,370 valuation. It said back then it had come to a base value of £1,960 based on a trade guide – I'll call it Guide A. It indicated it had used a 'middle range value'. UKI said it had then added £410 to reflect lower than average mileage.

It said it had recently checked three trade guides but only Guide A had returned a value - £2,840. It didn't add an uplift for low mileage as the guide now, unlike in 2018, took into account a vehicle's exact mileage for valuations.

UKI noted that on the face of it the recent valuation suggested Mrs B's car wasn't valued fairly in 2018. In reference to the 2018 use of a 'middle range value' it referred to evidence of pre-existing damage (damage not related to the accident and existing before the loss) to the car. It said that would have affected the value and desirability of the car.

To reflect the pre-existing damage UKI deducted £484 to from the recent Guide A valuation. That resulted in a value of £2,356. It concluded that as the 2018 settlement was for a higher amount it had been fair and reasonable. So it didn't offer Mrs B anything extra to settle the claim.

Mrs B wasn't satisfied so came to the Financial Ombudsman Service. She didn't agree it was fair to make a deduction for pre-existing damage. She said UKI hadn't provided evidence to show there had been any. She believed there was only minor scratches as would be expected on a car of its age. She said it hadn't made any such deduction when initially settling the claim in 2018. To resolve her complaint she asked for a settlement

reflecting a fair value. She also asked that UKI pay her compensation - as making a further complaint has caused her distress.

Ultimately our Investigator found UKI's settlement of the claim had been fair. He felt the evidence supported the car having pre-existing damage beyond normal wear and tear. He felt the deduction applied for that was reasonable. So he didn't recommend UKI pay anything more to settle Mrs B's claim. She didn't accept that outcome so the complaint was passed to me.

### **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 this is an informal service I'm not going to respond here to every point or piece of evidence Mrs B and UKI have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

Mrs B's policy covered her car against loss or damage. The terms stated UKI will not pay more than the market value of the vehicle at the time of the loss. Market value was defined by the policy as the cost of replacing it with another of the same make and model and of a similar age and condition at the time of the accident or loss.

So I've considered if UKI's settlement of Mrs B's claim was fair and in line with those terms. When looking into these types of complaints we check trade guides, adverts and other relevant evidence. We consider whether the insurer has made a reasonable offer in line with the evidence. We generally find the guides most persuasive as they're based on nationwide research of likely selling prices, so they're more reliable than individual adverts. But as I've said we do consider other evidence.

Due to the time involved it's only been possible to obtain two estimates of the value of the car at around the time of the loss. Guide A at £2,840 and Guide B at £2,695. Both take account of the lower than average mileage of Mrs B's car.

Both are higher than the £2,370 market value the 2018 settlement was based on. But as set out above UKI feels it would be reasonable to deduct £484 from the Guide A's valuation to reflect pre-existing damage to the car.

As pre-existing damage will often have a detrimental effect on a vehicle's market value there's nothing inherently wrong with an insurer making an appropriate deduction from valuations provided by trade guides. However, I'd only consider it fair to do so if that pre-existing damage would have affected the vehicle's value. In some case it might – for example minor dents and scratches might reduce the value of a new vehicle, but may be less likely to do so on a 15-year-old one. On an older car an imperfection may be considered standard and expected wear and tear, so already accounted for in a valuation.

So I've considered if the damage highlighted by UKI can be considered to be more than what might be expected to be found on a car of its age (around 10 years at the time of the loss).

UKI says it didn't apply deductions for some pre-existing damage as it considered it commensurate with the car's age and mileage. But it says a market value of £2,840 would reflect the full retail price of a car in forecourt condition (by this I assume its means in very good condition). UKI feels that value would be inappropriate as photos don't support the car

being in such a condition. Included in UKI's non-wear and tear or accident damage are scrapes on the front and rear bumpers, a deep scratch and scrapes to the passenger side doors and rear panel, a scratch to the driver's side wing mirror and a chip to driver's door.

I've considered photos of the car from the time of the claim. Some of UKI's highlighted damage can be described as relatively light. But I'm satisfied that when considered as a whole they go beyond what might be considered as standard wear and tear for a car of its age at the time of loss.

I've considered if the damage UKI's referred to might actually have occurred in the collision. I accept it's possible. But considering the type of damage and its location in comparison to the main collision damage, I don't think it's most likely to have happened in the high-speed collision described by Mrs B.

So I'm satisfied there was most likely pre-existing damage as described by UKI. That damage isn't severe or extreme. But I think it would likely affect the desirability and value. So I'm satisfied a deduction, to reflect that, from the trade guide valuation is fair.

UKI's explained how it reached a figure of £484. Its engineer estimated repair costs for most of the damage it highlighted as pre-existing – totalling around £1,200. £484 is equivalent to about 40% of that amount.

There's no perfect or exact way of determining the impact of any pre-existing damage on the value of a car. But UKI's application is in line with what this service's considers a simple but broad-brush approach to assessing a fair reduction to a market value of pre-existing damage. And the outcome seems fair and reasonable to me.

So based on what I've seen I'm satisfied UKI's settlement of Mrs B's claim was made in line with the policy terms and reflected a fair and reasonable market value. So I'm not going to require UKI to pay anything further to settle the claim.

Mrs B's said it's unfair for UKI to take pre-existing damage into account now, when it didn't in 2018. UKI's suggested that it might have. It's offered the pre-existing damage as a possible explanation, in the absence of any recorded reasoning, for it using a 'mid-range valuation' (as opposed to a high-end valuation) in 2018. But the exact manner in which UKI came to that settlement at the time isn't the key concern. Instead the primary focus of this decision is to consider if the settlement was fair and reasonable. As I've explained I'm satisfied, based on all the evidence available now, that it was.

Mrs B's also made the point that a purchaser of her car wouldn't make the repairs to the scratches and scuff considered as pre-existing damage. I don't dispute that. However, I'm satisfied potential buyers would likely find the car less desirable than an equivalent in a better condition. And that would ultimately, as is the consideration here, impact its market value.

I understand the experience of the collision was distressing for Mrs B. However, I'm not going to require UKI to pay her any compensation. I can only fairly require an insurer to do so when its mistake or omission has had a negative impact on a complainant. But I haven't, in this complaint, found that UKI did anything wrong.

### **My final decision**

For the reasons given above, I don't require UK Insurance Limited to pay any compensation or anything further to settle Mrs B's claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 April 2024.

Daniel Martin  
**Ombudsman**