

The complaint

S, a limited company, complains about how Tradewise Insurance Company Limited handled a claim made on its commercial motor insurance policy. This complaint is brought on S's behalf by its director, Mr B.

What happened

Mr B's car was damaged in an accident and he made a claim on S's policy. Mr B was unhappy that Tradewise reduced his cover to third party only because of cosmetic modifications on the car. He's also unhappy that a total loss was recorded as no claim was paid and with the valuations that led to this decision.

Our investigator didn't recommend that the complaint should be upheld. She thought the policy didn't provide full cover for vehicles that were cosmetically modified. She thought Mr B hadn't declared the modifications when the policy was taken out. And so she thought Tradewise hadn't acted unreasonably by reducing the cover to third party only.

She thought S's policy provided for the trade value in the case of total loss. And she thought that if even if the retail value had been used and Mr B's engineer's estimate of the repair costs considered, the car would have been uneconomical to repair and so declared a total loss. She also thought that Tradewise was obliged to record the car's total loss.

Mr B replied that Tradewise's estimator had inflated the repair costs by £8,000. He said the car didn't have performance modifications, but replacement parts and factory fitted items. He thought Tradewise should have done more to seek costs from a government agency which he thought was responsible for the accident. He also thought Tradewise should have returned his car to him.

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 see that Mr B thinks that the policy he bought may not have been suitable for his business or for his private car. But, as the investigator has explained, the sale of the policy was made through a broker and Mr B should direct any concerns about a potential mis-sale to it. I can't consider these points here.

I can, however, consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

I can see that S's policy states that cover is restricted to third party only for "customised, modified or supercharged" vehicles. Mr B had answered "no" when taking out the policy when he was asked if he handled any of these. I can see that this is stated on the policy's Statement of Fact where Mr B was also told that third party only cover would apply for modified cars.

Tradewise said it had initially thought to decline the claim because it thought Mr B's car had been modified. But it was persuaded that the modifications weren't performance related. And so it applied the third party only restriction.

Mr B thought the modifications listed shouldn't be considered as modifications by Tradewise. The modifications listed were: tinted windows, side window deflectors, tinted rear lamps, number plates were show plates, non standard manufacturer fit rear bumper diffuser, non standard fit alloy wheels. Tradewise considered these as modifications.

We think that modifications are any change to a car's appearance or performance after it leaves the factory. Mr B said the tinted windows were factory fitted, so they would not meet our definition as a modification. But I can't see that he's shown that the remaining items were factory fitted. So I think it was reasonable for Tradewise to consider them as cosmetic modifications and so, under the policy's terms and conditions, provide third party cover only.

Mr B disagreed that a total loss should be recorded. He was unhappy with the valuation that led to this and the estimate of the repair costs. The investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also take into account regional variations. We also take all other available evidence into account, for example, engineer's reports.

I can see that S's policy provides for the car's trade rather than retail valuation in the case of its total loss. Tradewise said this was assessed by its engineer as £12,440. Our investigator thought Tradewise's valuation of the car was fair and reasonable. So I've reviewed how she came to this decision.

I can see that the investigator obtained valuations from the motor trade guides we use for cars of the same make, model, age, mileage and condition as Mr B's at the time of its loss. The highest valuation provided by the guides was in keeping with what Tradewise calculated. So I think the valuation was made correctly according to our approach and the policy terms and conditions. So I can't say that it was unfair or unreasonable.

Mr B was also unhappy with Tradewise's estimate of the costs of repairs to his car. We're not engineers. We don't assess whether or how damage to a vehicle would be caused as this is a matter for the experts in these situations, the insurance companies and engineers. Our role in these complaints is to determine whether an insurance company has considered all the available evidence and whether it can justify its decision about repairs.

I can see that Tradewise relied on an approved garage's estimate of the repair costs. This was reviewed by its in-house engineer. The total was about £20,000. Mr B thought this was inflated, so I think Tradewise reasonably invited him to provide his own estimate for consideration. This costed the repairs at about £10,000. Tradewise's engineer reviewed this and pointed out items that hadn't been included. So Tradewise maintained its position.

I think Tradewise reasonably considered the evidence available and justified its position on repairs. The repair costs compared with the trade valuation made the car uneconomical to repair. And so Tradewise declared it a category N total loss.

Tradewise also considered the car's retail value compared to the estimate for repairs Mr B provided to see if this made a difference. I think that was fair and reasonable in the

circumstances. But this still left the car as beyond its threshold for economical repair. And so I think it reasonably maintained its position that the car was a category N total loss.

Mr B said he had his car repaired and its back on the road. But he's unhappy with the total loss marker. But, as our investigator has explained, Tradewise is obliged to record this correctly. And even though Mr B wanted to withdraw his claim it was still obliged to record it following its assessment. So I can't say that Tradewise did anything wrong in recording the car's total loss category.

Mr B thought it was poor service that Tradewise asked him to collect his car a day before he was going on holiday. Whilst I think this would have been good service, I can't say that Tradewise needed to do this as it hadn't dealt with Mr B's claim for his own car under the policy. From what I can see, I don't think Tradewise had any third party losses to pay. So it had no reason to seek recovery from the highways agency.

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 S to accept or reject my decision before 16 December 2020.

Phillip Berechree
Ombudsman