

The complaint

Mr S has complained that U K Insurance Limited (UKI) has undervalued his van following a total loss claim when his van was deemed a write-off after an accident.

What happened

Mr S's van was written off following a total loss claim. Following some discussion about the value of the van, UKI offered Mr S £3,750 as a total loss settlement, plus an additional £580 for a fitted tow bar and business signage.

But Mr S wants UKI to pay what he thinks the van is worth. Mr S says to get a like for like replacement it would cost him £5,000 +VAT.

An investigator from our service looked at this complaint. The investigator was satisfied that the valuation placed on the van by UKI was fair and didn't uphold the complaint.

But Mr S doesn't agree, and he's asked for an ombudsman to review the complaint.

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.

Having done so, I'm not upholding this complaint. I'll explain why.

Mr S is unhappy with the valuation that UKI has placed on his van. Mr S says he has experience in the motor trade, and he's argued that the valuation provided by the standard motor trade guides is not correct. Mr S says the guides used to calculate these values are not up to date and the valuations are not representative of the actual selling price of vans from his date of loss. He's provided a number of valuations from various different sellers online to support his argument. He's also provided an article which sets out that van sales have seen an unprecedented surge in lockdown, and because of an increase in demand, sellers are seeing prices rise substantially on a daily basis. He's concerned this is not been reflected in the motor trade guides. Mr S also says that he's having great difficulty finding a van to match the high spec and condition of his van, and that £3,750 doesn't come near to what he'd expect to pay for something similar.

Our approach is to consider whether UKI has settled Mr S's claim in line with the terms and conditions of his policy, fairly and reasonably. So, I have considered the terms of the policy and the offer made in order to determine whether UKI have acted fairly. I can see that in the event the van can't be repaired, UKI won't pay more than the market value of the van at the time of the loss.

Market Value is defined as *"the cost of replacing your vehicle with another of the same make and model and of a similar age and condition at the time of the accident or loss"*.

Our usual approach to complaints about car or van valuations is to look at motor trade guides for valuing second-hand vehicles. We find these persuasive because their valuations are based on nationwide research and likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. This takes into account all the specifications of the vehicle as well as any extras and the mileage. If a guide price is significantly higher or lower than the others, we may think it's reasonable to ignore it. This depends on the value of the vehicle.

Customers sometimes say the amount they've been paid is unfair because they've seen similar vehicles advertised at higher prices. We wouldn't normally place as much weight on adverts to decide whether a valuation is fair. Differences in mileage or year of registration can significantly affect value, and sometimes the vehicle actually ends up selling for a lower price than advertised. Adverts may be helpful if the complaint involves a classic or rare model. Or if they strongly indicate that the guides could be wrong.

I've checked the motor trade guides for the value of Mr S's van at the time of the incident and they produced the following valuations:

CAP £3,100; Glass's £2,255 and Cazana £3,339. However, as this is a van, valuations are exclusive of VAT. Mr S has confirmed he's not VAT registered, so VAT needs to be added to these valuations. Once VAT is included the actual valuations are as follows CAP £3,720, Glass's £3,026 and Cazana £4,006.

UKI has offered a value of £3,750. And looking at the three guide prices together our approach would be to say this is fair as normally we might think it's reasonable to ignore any outlying valuation. So, if we discount the lower Glass valuation, we would expect UKI to offer between £3,720 and £4,006 for this van. And after some negotiation, a price within this range is what it's offered.

But I don't want to discount Mr S's research. He's put forward a substantial number of valuations, and I want to also take these into account. The criteria that drive the price are so varied, and some very specific criteria such as age, mileage, or additional extras play a big part in determining the price. Because of this it makes sense to rely on the guides and also use the data provided by Mr S to make sure the valuation is fair.

Mr S has advised that he's struggling to find online a van with the same spec, engine size, mileage, ownership and service history. So, he's provided a number of examples for long and short wheel base specifications, 1.3 and 1.6 litre engines and different speeds. They cover a multitude of years from 2010 to 2013, and a wide variety of mileages. And what stands out to me is that the younger vehicles with lower mileage are the ones that push the price up to the price that Mr S expects to get for his vehicle. For example, a 2012 model with three owners and similar mileage is advertised for £3,500, whereas a similar one with less than 100,000 miles will be advertised for £4,000 or more. But I note that a 2013 model with lower mileage will cost more.

But we can only really take into account a like for like example, or as close to it as we possibly can. So older and younger examples won't always reflect a true valuation. And I also need to point out that it's not up to this service to place an exact valuation on Mr S's vehicle. It's our role to make sure UKI is giving Mr S a fair price. And based on the information provided about Mr S's van and using the trade guides alongside the evidence Mr S has submitted, I think £3,750 (inclusive of VAT) is a fair price.

Another argument that Mr S makes is that the guides are not up to date, and they're not taking into account the live circumstances of what's really happening in the market, namely the surge in value of commercial vans during Covid19. Helpfully the Cazana valuation tool

also provides us with details of similar specification vehicles that have sold in the UK. And from this information I can see that similarly aged vehicles, with a wide variety of mileage, ranging from 60,000 to 120,000, all sold for between £2,000 and £4,000, all inside the last 10 months in the UK.

Because of this I'm satisfied that the market value that UKI has placed on Mr S's vehicle is fair and reasonable. I also note that UKI paid Mr S an additional £580 for extras such as a tow bar and signage. So, I won't be asking UKI to do any more.

My final decision

For the reasons given above, 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 16 April 2021.

Derek Dunne
Ombudsman