

The complaint

Mr D has complained that UK Insurance Limited (UKI) undervalued his van following a theft and subsequent total loss claim. Mr D is also unhappy that UKI misled him about paying for his sat nav and audio equipment and he says that not having a van has adversely affected his livelihood.

What happened

Following the theft of his van Mr D submitted a claim on his commercial motor policy. After a review, UKI offered Mr D £8,606 to settle his claim as it said this represented the market value of his van.

But Mr D doesn't think this offer is fair and wants UKI to pay what he thinks the van is worth. Mr D says to get a like for like replacement it would cost him a lot more. He's submitted some advertisements he's found online for similar vans valued at between £9,900 and £16,995. He says it's very difficult in the current market to get a similar van, and impossible to get one for the amount UKI is offering.

An investigator from our service looked at this complaint. The investigator was satisfied the valuation placed on the van by UKI was fair. The investigator was also satisfied with the compensation paid by UKI for the distress and inconvenience caused throughout the claim and didn't uphold the complaint.

But Mr D 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 D is unhappy with the valuation UKI has placed on his van. He says his van was in pristine condition and had very low mileage when it was stolen. He says it was a three-seater with ply lining throughout. He says the valuation provided by UKI is not representative of the actual selling price of vans from his date of loss. He's provided a few valuations from different sellers online to support his argument. Mr D also says that he's having great difficulty finding a van to match the exact spec and condition of his van, and that £8,806 doesn't come near to what he'd expect to pay for something similar.

Our approach is to consider whether UKI has settled Mr D's claim in line with the terms and conditions of his policy, fairly and reasonably. So, I've 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 any guide's 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. 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 D's van at the time of the incident and they produced the following valuations:

CAP £6,725; Glass's £6,900 and Cazana £8,256. However, as this is a van, valuations are exclusive of VAT. I've been advised Mr D is not VAT registered, so VAT needs to be added to these valuations. Once VAT is included, the actual valuations are as follows: CAP £8,070, Glass's £8,280 and Cazana £9,907.

UKI has offered a value of £8,806. To decide if this is fair, we can approach this two ways. If two valuations are similar and the third is an outlier, we might think it's reasonable to ignore any outlying valuation. Or alternatively, we can take the average of all three valuations. In this instance we can use either approach, because looking at the three guide prices together the amount being offered is fair

Using the first approach we can see the Cazana valuation is an outlier. And looking at the Cazana valuation I can see why. When Cazana provide us with a valuation they also provide a list of similar vans sold in the UK around that time. Helpfully, this is very thorough live data from around the date of the theft. And looking at this information I can see that the average van with a mileage of approximately 40-50k miles was selling at around £8,000. But there is only one van on the list, with very low mileage which was sold for a substantially higher price. And this is affecting the average price on the Cazana valuation tool. So, it's coming out slightly higher than the rest.

But I don't want to discount the Cazana valuation and I think it's only fair we include this valuation even if it is slightly distorted. The reality is that outside of the normal criteria that drive the price such as age, mileage, or additional extras, we are aware that the national lockdown following Covid restrictions has had a specific impact on the sale of commercial vehicles. So I think it makes sense to rely on all the guides in this case to make sure the valuation is fair.

In terms of the evidence Mr D has submitted, he's advised that he's struggling to find a van with the same spec and condition online. So, he's provided a few similar examples. But I can see that these examples are a higher specification than his own van. So even though they have similar mileages, I'm not surprised they are a higher value. So, I'm going to have to discount these examples as they are out of sync with the data from the guides, and they're not a like for like specification of Mr D's van.

It's not up to this service to place an exact valuation on Mr D's vehicle. It's our role to make sure UKI is giving Mr D a fair price using a fair and recognised approach. And based on the information provided about Mr D's van and using the trade guides alongside the evidence Mr D has submitted, I'm satisfied that the market value that UKI has placed on Mr D's vehicle is fair and reasonable.

I also note that UKI did mislead Mr D when he tried to claim for a sat nav system and audio equipment. But I can see UKI has awarded Mr D £100 in compensation for this unnecessary error and I'm satisfied this is a fair amount for the inconvenience caused. I also note Mr D has raised the issue of the inconvenience and distress caused by not having a van. But as I think the valuation offered by UKI is fair and given the circumstances, it was offered in a reasonable time frame, I won't be asking UKI to do any more in relation to this inconvenience.

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 D to accept or reject my decision before 8 September 2021.

Derek Dunne
Ombudsman