

The complaint

Mr B complains about how Haven Insurance Company Limited handled and settled a claim made on his commercial motor insurance policy following the theft of his van.

What happened

Mr B's work van was stolen, and he made a claim on his policy. The van was later found destroyed but Haven didn't collect the salvage. Mr B thought this delayed the settlement of his claim. And he was also unhappy with the settlement Haven paid him for the van's total loss. Mr B raised further complaint points after Haven responded to his complaint. Mr B wanted a refund of the remaining premium he'd paid and compensation for his loss of work.

Our Investigator recommended that the complaint should be upheld in part. He thought the claim had been handled reasonably promptly and that Haven hadn't caused delays in paying Mr B his settlement. But he thought Haven's settlement offer for the van's market value wasn't fair and reasonable. He thought this should be increased to £6,418.80 (including VAT) and that Haven should pay Mr B interest on the difference. The Investigator didn't consider Mr B's further complaint points as Haven had yet to respond to them.

Mr B agreed with the Investigator's view. But Haven said there was no evidence that Mr B had paid VAT when he bought the van.

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 understand that Mr B would want his claim dealt with quickly so that he wouldn't lose any work. I don't think it's unusual for insurer's to ask for information to validate a claim before accepting and settling it. And this can cause a delay in the claim. Mr B was concerned that the loss of the van after it was located may have caused delays. But I can't see that this affected his claim as Haven had already accepted his loss. It took Haven three working weeks to settle his claim. And I think this was fair and reasonable.

Haven placed a pre-loss market value of £4,000 on the van and it deducted the outstanding premium and the policy excess from the settlement.

I can see that "Market Value" is defined in Mr B's policy booklet as:

The cost of replacing Your Vehicle with one of similar make, model and specification, taking into account the age, mileage and condition of Your Vehicle. To determine the Market Value, We will typically request the advice of an engineer and refer to guides and any other relevant sources.

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.

Our Investigator thought Haven's offer for the market value of Mr B's van was unfair. So I've checked how he came to this conclusion. I can see that he looked in the trade guides we use for vans of the same make, model, age, mileage and condition as Mr B's van. He found three valuations and, in keeping with our approach, discounted an outlier that was out of keeping with the others. He then took an average of the other two valuations, arriving at a market value of £5,349.

Mr B said he had paid £4,000 for the van a few weeks before the theft in a private sale. He said he hadn't paid VAT on the sale. Mr B wasn't VAT registered in any case so he wouldn't have been able to recover any VAT payment from HMRC. Haven thought that if it paid Mr B VAT it would put him into a position of betterment. But we don't consider how the van was purchased. And the policy provides for the van's market value, not the price Mr B paid for it.

The trade guides exclude VAT from commercial vehicle valuations. We think that if the consumer isn't VAT registered, then the insurer should add VAT to the settlement figure so that Mr B can buy a like replacement. So I'm satisfied that the amount that Haven should pay Mr B in settlement of his claim should be £6,418.80, less the deductions for his outstanding premium and policy excess.

This means that Haven should pay Mr B a further £2,418.80. And, as Mr B has been without his money for some time, I think Haven should reasonably add interest to this amount from the date of the first payment until settlement.

Mr B wanted Haven to compensate him for his loss of earnings. But I can see that his policy doesn't cover consequent losses for being without the van. So I don't think it would be fair to ask Haven to compensate him for this. And, as the policy was an annual contract and a claim had been made, I think it was fair and reasonable for Haven to deduct the outstanding premium from the settlement.

Mr B raised other concerns with the handling of his claim. But, like the Investigator, I haven't considered these as Mr B should first raise them directly with Haven and his broker to give them a chance to respond.

Putting things right

I require Haven Insurance Company Limited to pay Mr B £2,418.80 in settlement of his claim, adding interest to this amount at the rate of 8% simple per annum from the date of the original settlement to the date of final payment.

If Haven considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require Haven Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 September 2022.

Phillip Berechree

Ombudsman