

The complaint

Mr M complains about the settlement payment Haven Insurance Company Limited (Haven) provided following the theft of his car, under his motor insurance policy.

What happened

Mr M's car was stolen in January 2022. He contacted Haven and it offered a settlement payment which it limited to £25,000. Haven says this is the car's value as confirmed by Mr M when he applied for the policy. Mr M says the market value of his car is higher than this. He says he can't recall saying that his car was worth £25,000 but the current market value is around £31,000.

Mr M thinks Haven is obligated to pay the market value for his car and says this matter has been very stressful for him.

Haven says the settlement payment is limited to £25,000 as per its policy terms. As a gesture of goodwill, it increased this to £27,500 less the policy excess and any outstanding premiums. However, it isn't prepared to pay more than this.

Mr M didn't think this was fair and referred his complaint to our service. Our investigator didn't uphold his complaint. She obtained valuations from the industry trade guides, which gave an average valuation of £31,463 for Mr M's car. However, she thought its settlement offer was subject to the £25,000 limit set out in its policy terms. So, she didn't think Haven had acted unfairly in offering the payment it did.

Mr M didn't accept this outcome and asked for an ombudsman to consider his complaint.

It has been passed to me to decide.

I issued a provisional decision in November 2022 explaining that I was intending to uphold Mr M's complaint. Here's what I said:

provisional findings

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 M wants the best possible settlement for the loss of his car. I note his comments that it's the duty of his insurer to pay an amount that he can use to replace his vehicle like-for-like. But his policy doesn't provide for a like-for-like replacement. I've read his policy terms to understand what is expected to happen here. The policy terms say:

"Limit(s) of coverage – The value shown in the schedule."

B1 LOSS OF OR DAMAGE TO YOUR VEHICLE CAUSED BY FIRE OR THEFT

What is covered?

We will cover You in respect of loss of or damage to Your Car which occurs during the period of Insurance caused by fire, lightning, explosion, theft, attempted theft up to the Limit of Coverage specified in the Schedule and subject to the applicable Excess(es).

9. If We consider Your Car is Beyond Economic Repair as a result of an accident or incident covered by this insurance, subject to clause 11 below We will provide the owner of Your Car with settlement of its Market Value up to the Limit of Coverage after deducting the Excess. You should be aware that We are entitled to provide settlement up to the Limit of Coverage after deducting the applicable Excess(es) in full and final settlement of Your claim for damage to Your Car, even if that value is under-stated.”

Referring to Mr M's policy schedule the value of his vehicle is set at £25,000. On the face of it the policy terms state that in the event of his car being stolen, the most Haven will pay is £25,000. However, the insurance cover is for the market value as described in the policy terms. Generally speaking, our service doesn't consider it fair for an insurer to limit a settlement payment to less than the market value.

I note Mr M's comments that he doesn't recall giving a value for his car when he applied for the policy. But regardless of this, unless he had access to the industry trade guides, it would be difficult for Mr M to give an accurate market value. I don't think it's fair to rely on such a significant and onerous condition limiting the settlement payment to less than the car is worth.

It's clear from the valuation Haven obtained that the market value of Mr M's car is well in excess of the £25,000 limit set out in his policy schedule. The second-hand car market has increased in value recently which is likely to have had an impact here.

In these circumstances we think it's fair for Haven to provide a settlement payment based on the market value of Mr M's car, which should be calculated at the time of the loss.

When assessing whether an insurer has made a reasonable settlement offer, we look at valuations from the main 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 consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

I can see that Haven obtained a valuation from one of the trade guides. This gave a value of £32,800. I can see it used the correct make, model, age, and mileage for Mr M's car and the valuation was taken from the date of the loss. However, I'd expect an insurer to obtain several valuations from different trade guides, when assessing the market value of a vehicle.

Our investigator obtained two more valuations using the motor trade guides. I've checked to see how this was done. I can see that she used the correct information for Mr M's car and the valuations were taken from the date of the accident. These valuations gave a range between £29,750 and £31,840. The average of all three valuations comes to £31,463. I think this represents a fair valuation for Mr M's car at the time of his loss.

For the reasons given above, I don't agree with Haven that it's reasonable to limit the valuation to a figure lower than the market value. It should now pay Mr M a settlement payment for the valuation of £31,463 less the policy excess and any unpaid insurance premiums owing.

I've thought about the impact this had on Mr M when Haven told him it was limiting its

settlement payment to value set out in his policy schedule. I don't agree with Mr M that Haven's payment should cover a like-for-like vehicle, but I do think it should pay the market value. The lower payment came as a shock to Mr M and caused him distress. It must also have impacted him in trying to buy a replacement vehicle. Because of this I think Haven should pay him £200 compensation.

I said I was intending to uphold Mr M's complaint and Haven should:

- pay Mr M a total settlement payment of £31,463 minus the policy excess and any insurance premiums owed; and
- pay Mr M £200 for the distress and inconvenience it caused him.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Haven responded to say it accepted my provisional decision.

Mr M didn't respond with any further comments or information for me to consider.

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 neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint. Haven Insurance Company Limited should:

- pay Mr M a total settlement payment of £31,463 minus the policy excess and any insurance premiums owed; and
- pay Mr M £200 for the distress and inconvenience it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 January 2023.

Mike Waldron
Ombudsman