

The complaint

Mr C is unhappy with the service provided by Zurich Insurance PLC following a claim he made on his motorhome insurance policy.

What happened

Mr C took out a motorhome insurance policy with Zurich in March 2022. Mr C's insurance was purchased through a comparison website. During the application process Mr C was asked to provide a value for his vehicle. Mr C recorded £22,000. Mr C has explained this is what he paid for his motorhome in June 2020.

Once Mr C's application for insurance was accepted, he was sent policy documents including a policy schedule and statement of fact. The policy schedule recorded £22,000 for the vehicle value. The statement of fact recorded the '*Estimate current value*' as £22,000. Mr C was also sent a policy booklet. The policy booklet explained that in the event of a claim:

'2.2.1 What we will pay

If your vehicle is insured on an 'agreed value' basis, the maximum amount we will pay is the value declared on your policy schedule, less any policy excess which is applicable (see sections 2.8 and 2.9); otherwise market value will apply.

The policy booklet defined '*Market value*' as '*The cost of replacing your vehicle with another of a similar make, model, age, mileage and condition as at the time of the loss or damage, up to the value stated in your policy schedule.*'

In June 2022 Mr C reported his motorhome stolen. Zurich accepted Mr C's claim and provided a settlement value of £22,000. Zurich explained Mr C's claim had been determined on a market value basis. Mr C was unhappy with this amount and complained to Zurich. Mr C said '*I have been looking for a replacement and they seem to be around £35,000.*'

Zurich referred Mr C to the policy terms which explained the market value would be '*up to the value stated in your policy schedule.*' Because of this, Zurich didn't offer to increase their settlement offer for Mr C's claim.

Mr C brought his complaint to this service for investigation. He was unhappy with the market value offered by Zurich, and the explanation about how this had been calculated. Mr C provided this service with four different valuations for vehicles of a similar make and model to his motorhome that had been stolen. The values provided were £35,500, £35,995, and two values for £36,995.

The investigator found that the service provided by Zurich wasn't in line with what we'd expect, and recommended Zurich increase their offer to £36,372 (the average value of the four values provided by Mr C), pay 8% per annum simple interest on the difference between the £22,000 offered and the new value of £36,372, and pay £250 in recognition of the trouble and upset caused to Mr C because of the delay in receiving the correct settlement amount.

Mr C accepted the investigator's findings. Zurich didn't agree to the investigator's findings and asked for an ombudsman to determine this 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 reviewed the evidence I agree with the investigator's findings on this complaint for broadly the same reasons. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it has affected what I think is the right outcome.

Zurich say that Mr C's policy was taken out on 'market value' basis. They say that the definition of market value makes it clear that the policy would only pay '*up to the value stated in your policy schedule*'. I think a reasonable interpretation of the term 'market value' would imply that Zurich would look at the selling prices of vehicles of a similar make, model, age, mileage and condition as at the time of the loss or damage, and use this as a basis for calculating the amount that should be paid in the event of a claim.

But the definition of 'market value' in Mr C's policy booklet goes further than this. It severely restricts how much would be paid in the event of a claim, depending on what has been recorded in the policy schedule.

In order to determine whether Zurich have acted fairly by limiting the definition of market value in this way, I've considered what Mr C was told about the importance of the value provided in the policy schedule.

The policy schedule recorded £22,000 for the vehicle value. This document also included a number of endorsements providing further information about the limitations of cover. There was no other explanation about what the vehicle value would mean in the event of a claim, and the importance of its accuracy for this reason. I don't think Zurich did enough to highlight the limitation of the policy, and how the vehicle value provided in the policy schedule would directly impact on the amount paid out in the event of a claim.

I've also seen that the statement of fact recorded the '*Estimate current value*' as £22,000. I think it was reasonable for Mr C to have relied on the statement of fact as documenting the *estimate* current value of his car only. We wouldn't expect a customer to have detailed knowledge of the trade market, and access to trade guides which would provide for a more informed estimate. I also haven't seen evidence of any guidance or instruction given to Mr C on how to calculate the estimate. So I think it's reasonable that he provided the figure that he'd paid for his motorhome two years previous as an estimate value.

As the vehicle value recorded in the policy schedule had a direct impact on the maximum Zurich would pay in the event of a claim, Zurich needed to do more to make this limitation clear to Mr C. I haven't seen any evidence of Mr C being reasonably informed about the importance of the vehicle value recorded in the policy schedule, and what it would mean for the maximum he'd receive in the event of a claim. Because of this, I think it's fair for Zurich to determine Mr C's claim using the definition in the policy booklet- without including the term '*up to the value stated in your policy schedule*.'

We would usually refer to trade guides to determine complaints about vehicle valuation. Trade guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices

would've been. We expect insurers to use trade guides (where possible) when valuing a vehicle for claims purposes.

Because of the type vehicle held by Mr C, the trade guides we'd usually refer to haven't provided information relevant for determining this complaint. So in the absence of relying on trade guides, I've considered the evidence provided by Mr C of vehicles of a similar make and model to his motorhome. The values provided by Mr C include £35,500, £35,995, and two values for £36,995. I think it's fair to use these values to determine an average settlement amount that should be paid for Mr C's claim.

As Mr C has been awaiting for settlement of his claim to be concluded for some time now, I also think it's fair for Zurich to offer an additional £250 in recognition of the upset and inconvenience caused to Mr C because of the delay in receiving the correct settlement amount for his claim. This amount also recognises the upset caused to Mr C in his dealings with Zurich over a period of time where he had already provided Zurich with the evidence needed to properly deal with his claim.

Putting things right

Zurich Insurance PLC is directed to:

- increase their offer to £36,372 (the average value of the four values provided by Mr C),
- pay 8% per annum simple interest on the difference between the £22,000 paid and the new value of £36,372 from the date the previous settlement was paid to the date the additional amount is paid*; and
- pay £250

* HM Revenue & Customs requires Zurich to deduct tax from this interest. Zurich should give Mr C a certificate showing how much tax it's deducted if he asks for one.

My final decision

My final decision is that I uphold this complaint. Zurich Insurance PLC must follow my directions for putting things right above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 April 2023.

Neeta Karelia
Ombudsman