

The complaint

Miss M complains about the settlement that Ageas Insurance Limited offered her following a claim made on her motor insurance policy for the theft of her campervan. She wants a higher settlement due to the high demand for such vehicles.

What happened

Miss M owned a van she converted into a campervan. After it was stolen, she made a claim on her policy. Ageas calculated a value by looking at two of the trade guides we use. Its base valuation of the van was £4,723. It then added amounts for materials and labour to make the conversion and it added 20% mark up to reflect the current high demand. Ageas then offered Miss M £13,886, less her policy excess, in settlement of her claim. But Miss M thought it should pay her £30,000 for the loss of her van.

Our Investigator recommended that the complaint should be upheld. He found valuations for Miss M's van in three of the trade guides we use. He took an average of these and thought Ageas' base valuation was too low. He thought it should increase this to £5,043. But he thought its offer for the cost of materials and labour and its mark up to reflect current demand was fair and reasonable. He thought Ageas should pay the difference between the two amounts to Miss M with interest from the date of the previous payment.

Miss M replied that Ageas had underestimated the labour hours required to convert the van and she provided photographs of her conversion to show this. She thought Ageas' settlement wouldn't allow her to replace the van with one of the same quality and specification. She said the van had been valued by auctioneers at £30,000. She also said that an example provided by Ageas of a similar van was smaller than her van and had a lower specification.

Ageas replied that one valuation used by the Investigator was significantly out of line with the others and so should be discounted.

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 Miss M wants a fair settlement for the loss of her van. The Investigator has explained this service's approach to vehicle valuations. We don't provide valuations for vehicles 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, engineers' reports.

Our Investigator checked the motor trade guides we use. I can see that he looked for unconverted vans of the same make, model, age, mileage, and condition as Miss M's at the date of its loss. He found three valuations, but one valuation was significantly higher than the other two.

I accept that when one of the guides' valuation is significantly different to the others', our approach is usually to discount it. But I'm not satisfied that this would lead to a fair and reasonable outcome in this particular case. This is because I can see that Miss M's van was in high demand, and few examples are advertised for sale.

Current market conditions mean that the values of second-hand vehicles are changing rapidly. In some cases, this has meant the motor trade guides have been unable to reflect the current market in the valuations. This is especially so in the case of unusual vehicles where few examples have been sold.

So we don't automatically discount a guide as an outlier. Where we can see that a certain guide is more in line with adverts the consumer or business have sent us, or with sold prices, we may decide it is reasonable to use this to work out the market value.

Ageas provided one example of a van to compare with Miss M's van. This was advertised at £12,500. But I can see that this is a smaller van with a lower specification than Miss M's van. I can see that Ageas offered Miss M more than this in settlement of her claim. But I'm not satisfied that this is a fair comparison as Miss M made her own conversion and I can't see how the advertised example was converted.

However, I can see that the outlier valuation found by our Investigator is supported by current sold prices. And so I think it's reasonable to include it and to then take an average of the three trade guide valuations to give Miss M a fair settlement of her claim. This means that a reasonable base value for the van would be £5,043. Ageas' valuation was lower than this, so I'm satisfied that it wasn't reasonable. And so I think it should increase its settlement offer to take this into account.

Ageas included in its settlement an engineer's estimate for labour and materials needed to then convert the van. I understand that Miss M converted her own van, and this took her longer than Ageas' estimate. But I think it's fair and reasonable for Ageas to rely on Ageas' engineer's professional estimate in the absence of further evidence. So I don't require Ageas to increase its estimate for materials and labour to convert the van.

Ageas also acknowledged the current high demand for converted vans and added a mark up of 20% to its valuation. I think that's fair and reasonable, and Ageas should reasonably apply this to the higher valuation. As Miss M has been without her money for some time, I think Ageas should reasonably add interest to the increase in Miss M's settlement.

Miss M said an auctioneer valued her van at £30,000. But we don't consider auctioneers' valuations to be reliable as they have an interest in increasing the sale price. So I can't reasonably consider this as evidence to support a further increase in the settlement.

Putting things right

I require Ageas Insurance Limited to increase its base valuation of Miss M's van to £5,043, add its estimate for materials and labour and 20% mark up, and pay her the difference between this amount and its previous payment. Interest should be added to this difference at the rate of 8% simple per annum from the date of the initial payment to the date of the final settlement.

If Ageas considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss M how much it's taken off. It should also give Miss M a tax deduction certificate if he asks for one, so she 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. I require Ageas Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 18 May 2023.

Phillip Berechree
Ombudsman