

The complaint

Mr I has complained about the market value Zurich Insurance PLC paid for his vehicle when he made a claim under his specialist vehicle insurance policy.

All reference to the insurer in my decision includes its agents.

What happened

Mr I's vehicle was involved in an incident with another vehicle in April 2022. He made a claim to his insurer, Zurich.

An engineer appointed by Zurich assessed the damage to Mr I's vehicle. The estimated costs to repair Mr I's van made it uneconomical for Zurich to repair. So in line with the terms of the policy, Zurich said it would settle the claim by paying a market value for Mr I's van.

Mr I's vehicle was a modified van - and so it wasn't possible to rely on the motor trade guides to provide average valuations to decide a market value. So the appointed engineer relied on examples of similar vehicles for sale online.

Zurich offered a market value of £2,800. Mr I was unhappy with the amount and on review, Zurich increased the valuation to £3,500.

Mr I disagreed and provided examples of vans he said were similar to his. He said his van was worth £5,000 and he'd had considerable work done to the van, which he said the engineer hadn't taken into account.

In June 2022 Zurich didn't uphold Mr I's complaint. It said its valuation of £3,500 was fair.

Mr I had also complained that Zurich had moved his van to alternative storage without telling him. Zurich said it did this to mitigate costs for storing where the van was being held. It agreed to return Mr I's van to him.

In November 2022 Mr I asked us to look at his complaint. He said he had incurred losses due to the low valuation Zurich had paid. He said he had spent money on hotels which he wouldn't have had to do as he would have used his van instead for travel. He said he was paying for storage charges which he wanted Zurich to reimburse him for.

Our Investigator didn't recommend the storage charges or travel costs should be reimbursed. He looked at all of the examples provided by both Mr I and Zurich - he relied on the two closest to match Mr I's vehicle and the average of the two came to £4,750.

The Investigator didn't think Zurich had acted unreasonably in moving Mr I's van to reduce costs - but he thought it should have told Mr I when it did this. For the distress this caused, he recommended Zurich pay Mr I £50 compensation.

The Investigator recommended Zurich increase the market value settlement to £4,750 (minus the excess and salvage fee if appropriate) and pay interest at 8% simple interest on the difference.

Zurich accepted the Investigator's view.

Mr I disagreed. In summary he says:

The compensation of £50 equates to around £1 a week since he made his claim and doesn't cover the cost to replace the battery which was flat when his van was returned to him.

No evidence has been provided to show he can buy a similar vehicle for the amount deemed fair by the Investigator.

He doesn't agree he owes an excess under the claim.

He believes this service and Zurich are plucking a figure out of the air to value his van.

The engineer made errors in their report and failed to put it on a ramp to see all of the works that he'd had done. Mr I believes these works should be taken into account in the valuation.

He wants reimbursement for his losses in storage and hotel accommodation.

So the case has been passed to me to decide.

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.

We don't decide a valuation. But we look at whether an insurer reached its valuation reasonably and in line with the policy.

Mr I's policy with Zurich says the most it will pay is the market value of his vehicle at the date of loss.

It isn't in dispute that the motor trade guides which an insurer and this service usually relies on to obtain an average guide for a vehicle did not produce valuations for Mr I's vehicle. Mr I's vehicle is 25 years old and has been modified.

So I don't think it was unreasonable for Zurich to look to adverts for similar vehicles as a guide in reaching a market valuation.

Mr I also provided examples of vehicles for sale.

Of the examples provided by both parties, these varied widely in price, age, condition, specification and mileage. So while I appreciate Mr I believes the valuation the Investigator and Zurich reached was a guess - I can see that the Investigator took the closest matched valuations provided by both parties to Mr I's van, which I think was the fairest thing to do in this case.

Mr I says he had works carried out to the van which the engineer didn't take into account. And he says there were errors in the engineer's report.

The errors in the report related to whether the van had airbags, the depth of the rear tyres, and the valuation. The engineer acknowledged these errors - but aside from the valuation, they do not change the outcome.

As the policy says the most Zurich will pay is the market value, any ongoing works Mr I paid for to maintain the van would not mean an increase in the market value.

Based on the average of the two closest matches to Mr I's van, the increased market value comes to £4,750. As Zurich paid £3,500, I think it acted unreasonably in paying an unfair valuation for Mr I's car. And so to put things right, Zurich should pay interest on the difference at our recommended rate from the date of the claim to the date it pays Mr I.

I don't agree that Zurich should reimburse Mr I for the losses he is claiming for. I think Zurich should have told Mr I when it moved his vehicle - but the action of doing so isn't something I find unreasonable in order to reduce the costs of storage. Mr I requested the van be returned to him, which Zurich agreed to do. So I don't think it should then pay for any storage costs Mr I says he has incurred since.

So in context, for the distress caused by failing to tell Mr I when Zurich moved his van, I think a fair amount of compensation is £50.

An insurer is entitled to deduct a salvage fee from the valuation if a customer chooses to keep the vehicle. This is an amount it would have otherwise received for the salvage. It isn't fair for a customer to receive a market value for the vehicle - and the salvage - as this puts them in a position of betterment.

Mr I's policy schedule lists his voluntary excess as zero, and his excess for a claim for damage as £250. In an email to Mr I dated 12 April 2022 Zurich explained that Mr I owed an excess of £250 under the policy to the repairer on completion of repairs. It said if it recovered the costs of the claim from a third party, the excess would be refunded. This is a standard approach in the motor insurance industry when dealing with claims. Until a third party has admitted fault and an insurer has recovered its costs from the 'at fault' party, the excess is payable by the claimant.

I don't think Zurich caused undue delay - it provided a market value within three weeks of the incident. It responded to Mr I's complaint in June 2022.

So - taking everything into account - I'm upholding the complaint. I understand Mr I doesn't agree with the award, but I'm not asking Zurich to do any more than what I've set out below, in line with the Investigator's recommendations.

My final decision

My final decision is that I uphold this complaint. I require Zurich Insurance PLC to do the following:

- Increase the market value to £4,750 minus any excess and salvage fee and pay interest on the difference.
- Interest should be paid at a rate of 8% simple interest a year from the date of the claim to the date Zurich pays Mr I.
- Pay compensation of £50 for the distress caused by failing to tell Mr I when it moved his vehicle.

Zurich Insurance PLC must pay the compensation within 28 days of the date on which we tell it Mr I accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 15 June 2023.

Geraldine Newbold
Ombudsman