

## The complaint

Mr W complains that Zurich Insurance PLC (Zurich) hasn't settled his claim on his car insurance policy for the loss of his car following its theft fairly.

## What happened

Mr W's car was stolen, so he made a claim on his car insurance policy. Zurich said Mr W's car was a total loss. It offered him £16,000 to settle his claim (minus his policy excess of £500). Zurich said this was because Mr W's policy said, if his car was a total loss, it would pay the market value of the car up to the value stated in Mr W's schedule. The value stated in Mr W's schedule was £16,000.

Mr W didn't think this was fair, so he brought his complaint to us. Initially, the investigator who looked at Mr W's complaint didn't uphold it. But, on further reflection, she changed her view and said Zurich hadn't acted reasonably by limiting the settlement amount it offered Mr W to the value set out in his schedule. She recommended Zurich increase the settlement amount it offered Mr W from £16,000 to £16,544.66 (plus interest). She also said Zurich should pay Mr W £150 in compensation for the distress and inconvenience its delay in paying him a fair settlement amount had caused him.

Zurich hasn't responded to our investigator's views on Mr W's complaint, which has now come 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.

Having done so, I've decided to uphold Mr W's complaint. I'll explain why.

Mr W's car insurance policy says that if his car is a total loss, the most Zurich will pay him is the market value of his car, less the policy excess. And it says the "*market value*" is the cost of replacing his car with another of a similar make, model, age, mileage and condition as at the time of the loss "*up to the value stated in your policy schedule*". Zurich has relied on this wording to limit Mr W's settlement to £16,000. This was the estimated value Mr W gave for his car when he took the policy out and which, as I've said, was set out in his policy schedule.

Our general approach to complaints about this issue is that, unless a business clearly explains to a potential policyholder the importance of declaring a value for a car and its possible ramifications if a claim is made, we're unlikely to say it's fair and reasonable of that business to rely on it.

From what Mr W says, he didn't know about this limitation on his policy until after Zurich declared his car a total loss – and he's also made the point the value he gave was only an estimate. I've seen no evidence Zurich made the possible ramifications of this limitation clear to Mr W when he took the policy out. So on the facts and circumstances of this complaint, I

don't think Zurich has acted fairly and reasonably in relying on this policy term to limit the settlement of Mr W's claim to £16,000.

Our general approach to complaints about car valuations where there's been a total loss is to assess its market value as the price which the consumer would've had to pay for a comparable car across the various markets, immediately before the loss. Assessing the value of a used car isn't an exact science but we generally find the valuations given in motor-trade guides most persuasive because they're based on extensive nationwide research of likely selling prices.

In her second view on Mr W's complaint, and in line with our general approach to car valuations, our investigator got valuations from four of the motor-trade guides. The average of these valuations (discounting one low valuation) was £16,544.66. I've also got valuations from the same guides, based on the date Mr W's car was stolen. These give a slightly higher average of £16,690.25. So in line with our general approach to car valuations, I think the fair and reasonable outcome here is for Zurich to value Mr W's car at £16,690.25, and not at £16,000.

Zurich's failure to offer Mr W a fair and reasonable valuation for his car following its theft has caused Mr W some inconvenience. And, from the start, Mr W argued strongly against Zurich's reliance on the policy limitation of £16,000, so it's clear Zurich's approach made him unhappy. In these circumstances, I think it's fair and reasonable for Zurich to pay Mr W £150 in compensation for the distress and inconvenience it has caused him.

### **My final decision**

For the reasons I've given, I uphold Mr W's complaint and direct Zurich Insurance PLC to:

- Settle Mr W's claim based on a valuation of £16,690.25, rather than £16,000 (minus Mr W's policy excess of £500). Zurich Insurance PLC has already paid Mr W £16,000, so it must now pay him the outstanding settlement amount.
- Pay Mr W interest on the outstanding settlement amount at the rate of 8% a year simple from the date of payment of the initial settlement amount to the date of payment of the outstanding settlement amount.
- Pay Mr W £150 for the distress and inconvenience it has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 July 2023.

Jane Gallacher

**Ombudsman**