

The complaint

Mr H complains about the settlement that Advantage Insurance Company Limited offered him for the total loss of his van following a claim made on his commercial motor insurance policy.

What happened

Mr H's van was damaged in an accident, and he made a claim on his policy. Advantage offered him £3,552, less the policy excess, in settlement of his claim. But Mr H was unhappy with this. He thought he couldn't replace his van for this amount. Advantage paid Mr H £500 compensation for disposing of his van when he had wanted to retain it.

Our Investigator recommended that the complaint should be upheld. He thought Advantage's compensation for its error was fair and reasonable. And he thought Advantage had reasonably reimbursed Mr H for the loss of his private number plate. But he thought Advantage hadn't shown that it had assessed the van's market value from the motor trade guides we use. He checked the motor trade guides and he thought Advantage's offer was unfair as it was too low.

He thought it should increase its valuation to £3,837 and add interest to the £285 difference. He thought Advantage had unfairly deducted £50 for the absence of an audio system. Mr H said he had lost earnings because of the loss of his van. But the Investigator didn't think Advantage was responsible for this uninsured loss. And he thought Advantage had reasonably offered to consider the loss of Mr H's personal possessions if he provided evidence for these.

Mr H replied that the settlement wouldn't be enough to buy a replacement van. Advantage didn't reply to the Investigator's view, so the complaint has come to me for a final decision.

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 Mr H wants a fair settlement for the loss of his van. He said he didn't receive enough from Advantage to replace his van, and so he was disappointed with Advantage's offer.

Mr H's policy provides for the van's market value in the case of its total loss. I can see that the Insurance Policy Information Document (IPID) explains that Mr H is covered for the loss of his van up to its market value. This is defined in the policy booklet as:

"The cost of replacing your Van in the United Kingdom at the time the loss or damage occurred with one of the same make, model, age and condition. This may not necessarily be the value you when the insurance was taken out. Your Insurer may use publications such as Glass's Guide to assess the Market Value and will make any necessary allowances for the mileage and condition of your Van and the circumstances in which you bought it."

And so Advantage isn't obliged to replace Mr H's van or pay him what he paid for it. The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars 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, engineer's reports.

Our Investigator thought Advantage's settlement offer wasn't fair and reasonable. So I've checked how he came to this conclusion. Advantage said it had found a valuation for the van in one of the trade guides we use. But it didn't provide sufficient information for us to validate this. So the Investigator looked in the motor trade guides we use for vans of the same make, model, age, mileage and condition as Mr H's van at the date of its loss.

In keeping with our approach he took an average of the three valuations he found. The average of the valuations he found was £3,837. Advantage's valuation was £3,552. And so I agree that Advantage's offer wasn't fair and reasonable. And I think it should increase this by £285. And, as Mr H has been without his money for some time, I think it should reasonably add interest to this amount.

Mr H had made it clear that he wanted to retain his van. But Advantage mistakenly allowed it to be sold. It paid Mr H £500 compensation for the impact of this error. I can see that the van's estimated repair costs were much higher than its value. And so I think it would have been difficult for Mr H to repair the van to a roadworthy standard for his settlement less the deduction for the retention of its salvage. So I'm satisfied that Advantage's compensation was fair and reasonable in restoring Mr H's position and for the impact of its error.

Advantage had deducted £50 from the van's value due to the absence of an audio system. But it hasn't provided evidence to support this. And, in any case, I agree with the Investigator that this would make little difference to the valuation of a van of this age. And so I think this deduction was unfair.

Advantage compensated Mr H for the loss of his private plate, and so he's been reimbursed for this loss. And it's offered to consider evidence to support the loss of Mr H's personal possessions. I note that Mr H said these weren't of great value, but of sentimental value. It's unfortunate that these were lost. But I think Advantage's offer was fair and reasonable.

Mr H said he'd lost work due to the loss of his van. But I can see that his policy doesn't provide cover for loss of work. This is an uninsured loss. Mr H doesn't have legal cover on his policy. So he would need to approach the other driver's insurer to recover these costs or seek legal advice.

Putting things right

I require Advantage Insurance Company Limited to pay Mr H £285 further in settlement of his claim. Advantage should add interest to this amount at the rate of 8% simple per annum from the date of its initial settlement to the date of payment.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 September 2023.

Phillip Berechree
Ombudsman