

The complaint

Miss M complains about how Haven Insurance Company Limited settled her commercial motor insurance policy.

What happened

Miss M had a commercial motor insurance policy for her vehicle. In October 2022 she made a claim following an accident.

Haven accepted her claim and declared the vehicle a total loss. After reviewing the market value of the vehicle it offered a settlement of £7,458.50, less the policy excess.

Miss M wasn't happy with this amount as she said she hadn't long bought the vehicle for around £10,000 more than the offer. She initially asked for the vehicle to be returned but Haven said it had already sold it at auction.

Miss M made a complaint. Haven didn't uphold the complaint so she brought it to this service.

After the complaint came to this service Haven agreed to increase the settlement offered to £9,148.50, less the applicable policy deductions. Our investigator thought this was a fair offer but thought it should also pay VAT on top of the amount, as Miss M would have to pay that. He also didn't think Haven had acted fairly by selling the car before the settlement was agreed and recommend it pay £500 compensation to apologise for this.

Haven accepted our investigator's outcome, however Miss M didn't. She provided adverts to show similar vehicles at a much higher price. And she said Haven had sold the vehicle at auction for a similar price to the settlement and that was with the damage following the accident. So this shows the valuation wasn't correct. She asked for the complaint to be reviewed by an ombudsman.

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.

It isn't the role of this service to say what the market value of a vehicle is. But instead we look at the steps taken by a business to determine if they've acted fairly and reasonably when determining the claim settlement.

In order to calculate the market value, Haven has considered valuations provided by trade guides. This service considers these to generally be the most reliable for these calculations as they are based on the amount vehicles have been sold for and take into account the specific car make and model, mileage and age. As well as the condition of the car before the accident.

Here, I can see that the trade guides range from values of £6,624 up to £9,395. As Haven's revised offer is at the top of that range, I think it's offered a fair settlement in the circumstances.

I have also considered the evidence Miss M has provided including the adverts and invoice from the sale. However this doesn't persuade me that the offer is unfair. It is of note that while the vehicle is registered as a certain model, it appears to have been modified to look like a different premium model. But these modifications haven't been declared on the policy with Haven, so aren't covered by the insurance. And as the vehicle insured on the policy is the model it is registered as, the value of that model (without the modifications) is what it is insured and what Haven is obliged to pay for. The policy says in the result of a total loss it will pay the market value of the vehicle. That means the vehicle registered on the policy without taking into account the modifications. And the trade guides I've looked at are for prices of the model insured, therefore better reflecting Haven's liability than the adverts.

Based on this, I'm persuaded Haven's valuation of £9,148.50 is a fair one to base the settlement on in the circumstances.

Further, Miss M has said that she isn't VAT registered. Therefore she will need to pay VAT on a new vehicle and won't be able to claim this back through HMRC. As Haven's original settlement didn't include VAT, and Miss M will need to pay this on a new vehicle, I agree with our investigator it should increase the offer to include it. And as Miss M will have been without the additional funds, it should pay 8% interest on any amount paid in addition to the original settlement from the date of the first payment until the date the full payment is made.

Miss M has also complained that Haven sold her vehicle at auction before the settlement was agreed. I would have expected Haven to wait until the settlement had been accepted before taking action to sell the car. Further, Haven has been able to provide no evidence to show what it based its decision to write off the vehicle on. And as it sold at around the market value at auction, it seems likely that it could have been repaired. As it would be unlikely to fetch that amount if it wasn't.

Based on this, I think Haven has caused Miss M some distress and inconvenience that could have been avoided by declaring her vehicle a total loss and selling it prematurely. Therefore I agree with our investigator that it should pay her £500 compensation to apologise for this.

I understand Miss M believes she could have secured a sale at a higher price if she'd had the vehicle returned to her, so Haven should pay more money to make up for this loss. However, for the reasons I've stated above, Haven is only required to pay the market value of the vehicle under the policy and it's done enough to show it's done this. So I think compensation is the fairest way to make up for the poor service here.

My final decision

For the reasons I've given, I uphold Miss M's complaint and direct Haven Insurance

Company Limited to:

- Pay Miss M full settlement of £9,148.50 plus VAT, less an applicable deductions.
- Pay 8% simple interest on top of any additional amount paid since the first settlement, from the date of the first settlement until the final payment is made.
- Pay £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 31 August 2023.

Sophie Goodyear
Ombudsman