

The complaint

Mr M complains about how Haven Insurance Company Limited has handled a claim on his commercial vehicle insurance policy.

What happened

Mr M is a courier and insures his van with Haven. His van was damaged in an accident with another vehicle and so he claimed on his policy with Haven. Haven reviewed the claim and accepted it. Mr M's van was assessed as what is known as a CAT S which means it's repairable, but an insurer has decided not to. Haven said this was because the market value of Mr M's van was £6,504 plus VAT and the repair costs were £4,186.98.

Mr M didn't think it was fair for Haven not to repair his van and complained. He said he'd bought the van a year earlier for almost £18,000 and if Haven dealt with it as a total loss, then he would end up with no van and owing the finance company around £10,000. He therefore asked Haven to repair his van.

Haven reviewed the complaint and didn't uphold it. It maintained its position to deal with Mr M's claim as a total loss and pay him the market value rather than repair it. As there was finance on Mr M's van this meant the full total loss amount would be paid to the finance company. Mr M didn't agree and referred his complaint here. He said Haven not repairing his van meant he'd had to rent one so he could continue to work. Mr M said this was causing him financial difficulties in paying his monthly bills.

Our investigator reviewed Mr M's complaint and recommended it be upheld. She found that Haven had increased the market value for Mr M's van to £8,640 including VAT, and this meant the repair costs were around 48% of the market value. She explained that most insurers would repair a vehicle with damage at a similar level and therefore thought Haven should have repaired Mr M's van instead. She also recommended Haven pay Mr M what he'd paid to rent a replacement van, as he'd only needed to do so because Haven hadn't dealt with the claim fairly.

Haven didn't agree, it said it was its choice whether to repair the van or deem it a total loss and it was likely to have more damage discovered when repaired. Haven also said it would normally deem a van a total loss when the repair cost is 50% or more of the market value.

As Haven didn't agree the complaint has 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.

The terms and conditions say:

1. If Your Vehicle is damaged, at Our option We will:
 - a) Repair the damage to Your Vehicle; or

- b) Settle the claim by monetary payment; or
- c) Provide You with a replacement Vehicle.

Haven decided to settle Mr M's claim by monetary payment and offered him the market value. I've therefore looked at whether this was a fair and reasonable way to settle Mr M's claim and I'm not persuaded it was.

When Mr M's van was deemed a "total loss" by Haven initially the repair costs were around 54% of the market value of the van. It's not unusual for an insurer to deem a vehicle uneconomical to repair when the repair costs are above 60% of the market value. However Mr M objected to the market value and this was increased which then meant the repair costs were around 48% of the market value. When taking this into account, along with the financial impact this decision has on Mr M I'm not satisfied Haven acted fairly by deeming his van a total loss.

Mr M has finance on his van and the terms of the policy also say it will settle any finance first before paying Mr M. This meant after the finance had been paid Mr M would still owe the finance company around £10,000 and would have no van to work and generate an income for himself. I think Haven should have taken this into consideration when deciding whether to repair Mr M's van, particularly given that the repair costs were of a lower percentage of the market value than most complaints I've seen where an insurer has decided to write off a vehicle.

When taking this into account, I'm not satisfied Haven acted fairly by deeming his van a total loss.

I've therefore looked if there were another option Haven could have done. Haven could have either paid Mr M cash in lieu of repairs which would have allowed him to repair the van or repaired the van itself. Given the repair costs compared to the market value, in my experience, it's not unusual for insurers to repair vehicles when the damage is 48% of the market value. And, in my view, this is the option it would have been fair and reasonable for Haven to have taken in this particular case. So, to settle Mr M's claim, Haven needs to repair his van in line with the policy terms and conditions.

I've also looked at the impact Mr M has suffered due to Haven not repairing his van. Mr M said in order to continue working and mitigate any further losses he's needed to hire a replacement van at around £336 per week. If Haven had repaired his van as it should have, Mr M wouldn't have needed to hire a replacement van. Therefore, Haven should pay Mr M what he's paid to hire a van. Haven will need to cover this cost until the date Mr M's van is repaired. As Mr M has been paying the costs for the hire van, Haven should also add 8% simple interest per year to the amount it pays, calculated from the date Mr M paid the hire costs until the date payment is made.

Mr M has also explained that having to hire a van has caused him financial difficulties and I can see it's been over a year since Mr M claimed. He said this has caused financial strain and is causing severe financial difficulty for him. On top of this Mr M explained he's been unable to afford other items due to the financial pressure and this has caused him further distress and inconvenience. To compensate Mr M for the unnecessary distress and inconvenience Haven caused by not repairing his van, it should pay Mr M £500 compensation.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require

Haven Insurance Company Limited to:

1. Repair Mr M's van in line with the remaining terms and conditions
2. Pay what Mr M has paid to hire a replacement van until the date his van is repaired.
8% simple interest per year will need to be added to what it pays, calculated from the date Mr M paid for the hire van until the date settlement is made
3. Pay Mr M £500 for distress and inconvenience

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

Alex Newman
Ombudsman