

The complaint

A company that I will refer to as N complains about the handling of its commercial motor insurance claim by Alwyn Insurance Company Limited.

What happened

The following is intended only as a brief summary of events. Additionally, whilst other parties have been involved in the events, I have largely just referred to N and Alwyn for the sake of simplicity.

N operates as a freight transport company and held a commercial motor insurance policy underwritten by Alwyn. In late September 2022, one of N's vehicles was damaged. On 3 October 2022, N contacted Alwyn to claim for the cost of repair. The claim was accepted, treated as non-fault, and the vehicle was assessed as a total loss on the basis it was uneconomical to repair. N confirmed that, as this was its flagship vehicle, it wished to retain the salvage and repair the vehicle.

Alwyn instructed a third party, that I'll refer to as E, to carry out an assessment of the vehicle and to provide a valuation. As a result of this, Alwyn informed N that the value put on the vehicle was £22,000, and that with the deduction of £2,000 excess and a salvage value of £8,360, the settlement payable to N would be £11,640.

N was not happy with this, and explained that it purchased the vehicle and then spent another £18,000 on it. N provided evidence of some of this cost. And examples of other vehicles for sale.

Alwyn queried with E whether the modifications N had made to the vehicle changed the pre-accident value. And the value was then increased by £2,000 on 18 January 2023. N remained unhappy with this and felt the value should be £35,000.

Alwyn then instructed another third party, that I'll refer to as H, to carry out a second assessment. H valued the vehicle at slightly less than the £24,000 forming the basis of Alwyn's settlement offer. H's report confirms that it has taken into account some of the modifications N had made to the vehicle. Alwyn offered to pay N the £13,640 settlement on an interim basis, whilst N considered its options. N did not accept this. Due to the dispute over the valuation, the vehicle was not collected and has accrued storage costs.

Ultimately, N brought its complaint to the Ombudsman Service. Our Investigator considered the valuation Alwyn had placed on the vehicle was fair and reasonable. However, he felt that Alwyn should cover the storage costs of the vehicle up until the point the final offer was made.

N remained unsatisfied though. It provided some further evidence in relation to the valuation, and explained that it had been able to initially purchase the vehicle at a reduced price – but that it would cost more than this to buy another. It also felt Alwyn should continue to pay the

storage costs until the matter was resolved and that it should cover the costs N has incurred in hiring a replacement vehicle.

As the Investigator was unable to resolve the complaint, it was passed to me for a decision. N had, by this point, said that it had commissioned an expert report to establish the value of the vehicle. I gave N time to provide this, but a copy of this report has not been provided. I also asked N to provide evidence of some of the modifications it says it had made to the vehicle, but these were not provided either.

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 am upholding this complaint in part, largely for the same reasons as the Investigator.

Whilst I note N's comments that Alwyn's responsibility was to either fix or replace the vehicle, the policy terms require Alwyn to either repair/replace a damaged vehicle or to pay the market value at the time of damage. It is Alwyn's choice which of these to opt for. In this case, Alwyn opted to pay this cash sum (less the salvage costs as N wish to retain the salvage). The key issue with this complaint is the market value Alwyn has reached.

The market value is defined in N's policy as:

"The estimated value of your vehicle had it been placed on the open market immediately preceding the loss or damage..."

As I have previously explained to N, in considering whether an insurer has acted fairly and reasonably in circumstances like this, I need to think about how it came the valuation it has reached. In this case, Alwyn has taken into account the evidence N has provided about the vehicle, and has instructed two separate expert valuations. The valuations took into account the specifics of the vehicle and, largely speaking, they agree with each other. As such, I consider Alwyn relying on these reports in the first instance to be fair and reasonable.

I have considered the evidence provided by N which suggests Alwyn should have reached a different valuation. N provided examples of similar vehicles available for sale in Europe and comments from a UK based sales rep. These all suggested a value of £45,000 to £50,000.

Whilst this evidence is useful, I am not persuaded that this demonstrates that Alwyn has acted unfairly or unreasonably by relying on the expert reports. There are differences between the advertised vehicles and N's. And, whilst it is a useful indicator, the price a vehicle is advertised for does not necessarily determine its ultimate value. Additionally, the comments from the sales rep are not as persuasive as those from in the reports. The rep has confirmed that he is not able to give an engineer's report, and instead has merely offered an opinion. N has not shared any expert report it has been able to obtain, despite having been given the opportunity to do so. N has also not provided evidence of all of the modifications it says it made to the vehicle.

I do appreciate that this specific model of vehicle is apparently rare. But I am not, in the circumstances of this complaint, persuaded that the value of this vehicle is dependent on its rarity. N does operate a fleet of vehicles of the same make, and that it has said this was its flagship model. But I am not persuaded that this alters the actual value of the vehicle. As above, it is the value on the open market that is the determining factor.

I also appreciate that the claim is a 'no-fault claim'. However, N is making its claim under its

policy with Alwyn. And whether or not any of the costs Alwyn incurs can be recovered from a third-party insurer, Alwyn can only agree a fair and reasonable settlement.

Ultimately, whilst I have considered N's comments and the evidence it has provided, I am not persuaded that Alwyn acted unfairly or unreasonably by relying on the two reports it obtained. Alwyn's offer actually slightly exceeds the recommended values in the reports. So, I am not able to fairly and reasonably ask Alwyn to do anything more here.

There were some delays in reaching the point where Alwyn made its final offer. And I agree with the Investigator that Alwyn should cover the costs of recovery and of storage to this point. However, after this point, I am unable to say that Alwyn should be responsible for any further storage costs. The fact that the vehicle was not then collected was not due to any failing on Alwyn's part.

N has referred to the cost of hiring a replacement vehicle, of a similar type to the damaged vehicle. However, this is not a cost that the policy covers. And I am not persuaded that, in the circumstances of this complaint, this is a cost that Alwyn should fairly and reasonably cover. Given N wanted to repair its vehicle, even if a settlement had been reached without avoidable delay, N was likely to have had to make similar arrangements.

I appreciate this is not the outcome N was hoping for. But I can fairly and reasonably only uphold part of this complaint.

Putting things right

Alwyn Insurance Company Limited should settle the claim in line with its offer. Alwyn should pay for recovery of N's vehicle subject to the relevant invoices being provided. And Alwyn should pay N's storage charges up until the date they made a revised offer (7 February 2023).

My final decision

My final decision is that I uphold this complaint in part. Alwyn Insurance Company Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 1 March 2024.

Sam Thomas
Ombudsman